

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 27, 2011

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

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

IN RE: HB1983 by Kolkhorst (Relating to certain childbirths occurring before the 39th week of gestation.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1983, Committee Report 1st House, Substituted: a positive impact of \$1,809,251 through the biennium ending August 31, 2013.

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	\$617,672
2013	\$1,191,579
2014	\$1,193,539
2015	\$1,193,539
2016	\$1,193,539

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Federal Funds 555
2012	\$617,672	\$869,908
2013	\$1,191,579	\$1,608,841
2014	\$1,193,539	\$1,606,881
2015	\$1,193,539	\$1,606,881
2016	\$1,193,539	\$1,606,881

Fiscal Analysis

SECTION 1 of the bill would require the Health and Human Services Commission (HHSC) to develop quality initiatives and implement cost-cutting measures designed to reduce the number of elective or nonmedically indicated induced deliveries or cesarean sections performed at a hospital on a Medicaid recipient before the 39th week of gestation. HHSC would be required to coordinate with certain entities to develop a process for collecting information regarding certain deliveries under the Medicaid program.

SECTION 3 of the bill would require HHSC to conduct a study to assess the effects of quality initiatives related to certain deliveries; a written report would be required by December 1, 2012.

Methodology

SECTION 1: Provisions of the bill would require changes to the Medicaid claims payment system estimated to cost \$57,000 in fiscal year 2012. According to HHSC, prohibiting reimbursement for all nonmedically indicated cesarean sections (not just those occurring prior to 39 weeks gestation) would result in an estimated savings of \$1.1 million in fiscal year 2012 and \$2.3 million in fiscal year 2013 and subsequent years. Prohibiting reimbursement for elective induction prior to 39 weeks gestation is assumed to delay earlier births and reduce birth complications and utilization of neonatal intensive care units. Savings are estimated to be \$0.5 million in fiscal year 2012 and subsequent years.

SECTION 3: HHSC estimates a cost of \$0.1 million in fiscal year 2012 to complete the study and prepare the written report.

Technology

One-time costs for modifications to the Medicaid claims payment system are estimated to be \$57,000 in fiscal year 2012.

Local Government Impact

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

Source Agencies: 529 Health and Human Services Commission, 304 Comptroller of Public Accounts

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