

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

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

**April 6, 2011**

**TO:** Honorable Jim Pitts, Chair, House Committee on Appropriations

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

**IN RE: HB3666** by Zerwas (Relating to state fiscal matters related to health and human services and state agencies administering health and human services programs.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3666, As Introduced: a positive impact of \$3,727,243 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	\$1,384,427
2013	\$2,342,816
2014	\$3,429,420
2015	\$4,359,623
2016	\$5,203,604

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>GR Match For Medicaid</i> 758	Probable Savings from <i>Federal Funds</i> 555
2012	\$1,472,057	(\$87,630)	\$638,735
2013	\$1,656,793	\$686,023	\$1,999,219
2014	\$1,656,793	\$1,772,627	\$3,356,396
2015	\$1,656,793	\$2,702,830	\$4,576,327
2016	\$1,656,793	\$3,546,811	\$5,671,773

Fiscal Year	Change in Number of State Employees from FY 2011
2012	(37.0)
2013	(37.0)
2014	(37.0)
2015	(37.0)
2016	(37.0)

**Fiscal Analysis**

The bill would authorize state agencies to reduce or recover expenditures by taking action to consolidate reports, extend license, permit or registration periods, enter into contracts to carry out an agency's duties, adopt additional eligibility requirements for benefits, provide for electronic communication, and adopt and collect fees or charges to recover costs incurred by an agency.

The bill would require the Health and Human Services Commission (HHSC), Department of Aging and Disability Services (DADS), Texas Veterans Commission (TVC), and the Veterans' Land Board (VLB) to enter into a memorandum of understanding (MOU) to coordinate the collecting, use, and analysis of information and data received from the federal Public Assistance Reporting Information System (PARIS) and to report to the Legislative Budget Board and the Governor about its use by October 15, 2012. These provisions implement a recommendation related to the report, "Use Federal Data to Help Veterans Access Federal Benefits and Save State Funds" in the Legislative Budget Board's *Government Effectiveness and Efficiency Report* submitted to the Eighty-second Texas Legislature, 2011.

The bill would repeal Section 31.0325 of the Human Resources Code to eliminate the finger imaging used for the Supplemental Nutrition Assistance Program (SNAP), formerly called Food Stamps, and the Temporary Assistance for Needy Families (TANF).

The bill would require the Health and Human Services Commission (HHSC) to determine the feasibility of piloting telemonitoring for diabetes and other conditions and share information on Medicaid health management organization's (HMO's) telemonitoring programs with other Medicaid providers. These provisions would implement a recommendation in the report, "Increase the Use of Telemonitoring in the Texas Medicaid Program to Improve Patient Outcomes," in the Legislative Budget Board's *Government Effectiveness and Efficiency Report*, submitted to the Eighty-second Texas Legislature, 2011.

The bill would require HHSC to develop an objective assessment process, including use of a standard form, for acute nursing services in the Medicaid fee-for-service model and the Medicaid Primary Care Case Management managed care model and to take actions to implement the process within the Medicaid STAR and STAR+PLUS managed care programs. The bill would authorize HHSC to implement an assessment process for Medicaid therapy services comparable to the objective assessment process implemented for Medicaid acute nursing services. These provisions implement the recommendation in the Legislative Budget Board's 2011 *Government Effectiveness and Efficiency Report* entitled "Implement an Objective Client Assessment Process for Acute Nursing Services in the Texas Medicaid Program."

The bill would require HHSC to conduct a study to evaluate the cost-effectiveness of the physician incentive programs designed to reduce hospital emergency room use for non-emergent conditions implemented by health maintenance organizations in Medicaid. HHSC would be required to submit the evaluation report to the Governor and the Legislative Budget Board by August 31, 2012. The bill would also require HHSC to establish a cost-effective physician incentive program in the Texas Medicaid program. These provisions implement the recommendations in the Legislative Budget Board's 2011 *Government Effectiveness and Efficiency Report* entitled "Reduce the Need for Emergency Room Utilization in the Medicaid Program."

The bill would take effect September 1, 2011.

## **Methodology**

The extent to which an agency would use the authority granted in the section directing HHSC to reduce or recover costs is unknown. Therefore, the impact of these changes is not included in the estimates shown above.

Based on HHSC analysis, the agency could implement the studies and evaluations required by the bill by utilizing existing resources. This analysis assumes that HHSC, DADS, TVC, and VLB would be able to implement the provisions of the bill related to establishing an MOU by utilizing existing agency resources.

Based on HHSC estimates, elimination of the fingerprint-imaging requirement would reduce time spent by staff on processing eligibility for these programs (equal to a reduction of 37.0 FTEs) and contract cost reductions, resulting in All Funds net savings are estimated to be \$2,899,462 in fiscal year 2012 and \$3,263,331 in each subsequent fiscal year. Savings in General Revenue Funds are estimated to be \$1,472,057 in fiscal year 2012 and \$1,656,793 in each subsequent fiscal year. Savings associated with the Lone Star Imaging Services contract are estimated at \$1,102,444 in fiscal year 2012 and \$1,338,813 in each subsequent fiscal year (and are assumed in Senate Bill 1, As Introduced).

Implementing the provisions of the bill related to an objective client assessment process for acute nursing services is estimated to result in a cost of \$876,300 in All Funds in fiscal year 2012, a savings of \$1,078,704 in All Funds in fiscal year 2013, a savings of \$3,522,485 in All Funds in fiscal year 2014, a savings of \$5,672,619 in All Funds in fiscal year 2015, and a savings of \$7,612,046 in All Funds in fiscal year 2016. The cost in fiscal year 2012 includes system development expenses to be incurred by a contractor. The net savings in fiscal year 2013 include a cost of \$248,500 for contractor operation costs that include oversight of the subcontractor who performs the assessments, \$1,390,884 for contractor assessment costs, and \$8,250 for fair hearings, and an offsetting savings of \$2,726,338 in client services. The net savings in fiscal year 2014 include a cost of \$248,500 for contractor operation costs, \$1,627,560 for contractor assessment costs, and \$16,500 for fair hearings, and an offsetting savings of \$5,415,045 in client services. The net savings in fiscal year 2015 include a cost of \$248,500 for contractor operation costs, \$1,705,968 for contractor assessment costs, and \$16,500 for fair hearings, and an offsetting savings of \$7,643,587 in client services. The net savings in fiscal year 2016 include a cost of \$248,500 for contractor operation costs, \$1,804,704 for contractor assessment costs, and \$16,500 for fair hearings, and an offsetting savings of \$9,681,750 in client services. The contractor assessment costs are based on the agency's estimate of \$357.50 per initial assessment and \$242 per reassessment.

Cost and savings data are for private duty nursing (PDN) services provided to clients in Medicaid fee-for-service and the Primary Care Case Management managed care model whose initial assessment is in fiscal year 2013 or later. The data does not include cost and savings estimates for implementing an objective assessment process for clients receiving home health skilled nursing (HHSN) services or home health aide (HHA) services because the agency estimates that non-PDN clients account for only 4 percent of acute nursing service costs. Savings data are based on the agency's estimate that implementing an objective assessment process would save 5 percent of what would have been spent on private duty nursing services in the absence of an objective assessment process. The 5 percent savings estimate is applied to fiscal year 2010 costs for private duty nursing services.

## **Technology**

Net savings for technology associated with the elimination of the finger imaging contract are estimated to be \$470,980 over the 2012-13 biennium. This includes a savings of \$148,480 associated with decreased workload; a savings of \$450,000 related to data center services supporting the Lone Star Imaging Services contract; and a one-time cost of \$127,500 in fiscal year 2012 to modify HHSC's automated eligibility system, Texas Integrated Eligibility Redesign System (TIERS).

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 305 General Land Office and Veterans' Land Board, 403 Veterans Commission, 529 Health and Human Services Commission

**LBB Staff:** JOB, KK, MB, ES, VJC, DM