

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 29, 2011

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

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

IN RE: HB3744 by Gonzales, Veronica (Relating to the reimbursement methodology used for certain services provided to Medicaid recipients.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3744, As Introduced: a negative impact of (\$648,700) 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	(\$648,700)
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GR Match For Medicaid</i> 758	Probable Savings/(Cost) from <i>Federal Funds</i> 555
2012	(\$648,700)	(\$5,631,300)
2013	\$0	\$0
2014	\$0	\$0
2015	\$0	\$0
2016	\$0	\$0

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC) to convert the reimbursement methodology used under the Medicaid program to an all-patient refined diagnosis-related groups (APR-DRG) methodology and adjust rates to hospitals to ensure equitable reimbursement for inpatient services as soon as is practicable after the effective date of the Act.

HHSC would be required to establish a hospital value-based purchasing program that includes quality standards. The bill would permit HHSC to reduce a hospital's reimbursement rates or award a hospital additional funding based on performance. The bill would set limits on reimbursement rate reductions and prohibit rate reductions prior to September 1, 2012.

The bill would require any relevant state agency to request any necessary waivers or preauthorizations

from a federal agency prior to the implementation of the Act and would delay implementation until the waiver or authorization is granted.

Methodology

HHSC assumes implementation activities including preparing an amendment to the Medicaid state plan, obtaining necessary federal approvals, promulgating rules, completing systems changes, hiring/training of staff, and conducting outreach can be accomplished by September 1, 2012.

According to HHSC, conversion to the APR-DRG reimbursement methodology would include a one-time automation cost of \$648,700 in General Revenue Funds (\$6.3 million in All Funds) in fiscal year 2012. Initial development costs are assumed to qualify for 90 percent federal participation and system changes for implementation are assumed to qualify for 75 percent federal participation.

Because the bill permits HHSC to use money saved as a result of the reimbursement rate reductions to award hospitals that meet or make progress meeting the quality standards, HHSC assumes adjustments in payment would be accomplished within existing client services costs. Some payment adjustments would result in an increase in payment and some in a decrease in payment.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JOB, CL, JI, LL, LR