LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

February 13, 2011

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: **SB23** by Nelson (Relating to efficiencies and cost-savings in the health and human services and other related regulatory agencies, including the state medical assistance and child health plan programs.), **As Introduced**

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

SECTION 2 of the bill requires the Health and Human Services Commission and other agencies responsible for the administration of Medicaid and the Children's Health Insurance Program (CHIP) to identify efficiencies and reduce expenditures in these two programs through the following initiatives: (1) leveraging options for program flexibility and funding, including working with other states and the federal Department of Health and Human Services, to increase program efficiency, accountability, and sustainability; (2) implementing payment reform and quality-based payments; (3) increasing neonatal intensive care management; (4) aligning hospital rates in managed care closer to fee-for-service rates; (5) renegotiating more efficient contracts; (6) developing more appropriate emergency department hospital rates for non-emergent visits; (7) maximizing client cost-sharing; (8) maximizing federal matching funds through a statewide transportation broker or a federal waiver; (9) pursuing a federal waiver to allow the state to share in savings realized by the Medicare program resulting from state improvements in quality and efficiency for clients dually eligible for Medicare and Medicaid; (10) reducing costs for durable medical equipment and laboratory services; (11) optimizing federal matching funds; (12) increasing utilization management and review; (13) evaluating the consolidation of existing state health plans for children's health; (14) reviewing the implications of continuing or eliminating certain optional services; (15) modifying hospital reimbursements; (16) promoting and expanding the use of technology; (17) increasing access to preventive primary care; (18) implementing an objective client assessment process; (19) maximizing efficiencies and cost-savings through the managed care model; (20) ensuring clients are being served in the most cost-effective Section 1915(c) waiver program appropriate for their needs; (21) streamlining the administration and delivery of services through Section 1915(c) waiver programs; (22) requiring clients of Section 1915(c) waiver programs to access attendant services through community-based entitlement programs; (23) requesting any necessary federal waiver or authorization; and (24) implementing additional initiatives identified by HHSC and other administering agencies.

Savings to General Revenue Funds and Federal Funds would likely be significant but cannot be determined at this time; actual savings, and any associated costs of implementation, would depend upon specific initiatives that were implemented.

SECTION 3 of the bill repeals the prohibition on providing Medicaid through a health maintenance organization (HMO) in Cameron, Hidalgo, and Maverick counties. It is assumed that there would be no direct fiscal impact from repealing the prohibition; however, according to HHSC, significant savings to General Revenue Funds and Federal Funds could be achieved if an HMO model were implemented. The amount of savings would depend on a variety of factors including the population covered, areas in which implementation occurred, and the timing of implementation.

Local Government Impact

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

Source Agencies: 529 Health and Human Services Commission
LBB Staff: JOB, KK, MB, LR