LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 4, 2011

TO: Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

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

IN RE: **SB827** by Patrick (Relating to the child health plan and medical assistance programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB827, As Introduced: a positive impact of $321,117,446 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	$110,232,390
2013	$210,885,056
2014	$211,205,344
2015	$211,205,344
2016	$211,205,344

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Savings/(Cost) from *Federal Funds* 555
2012	$110,232,390	$149,388,811
2013	$210,885,056	$279,060,452
2014	$211,205,344	$278,740,165
2015	$211,205,344	$278,740,165
2016	$211,205,344	$278,740,165

Fiscal Analysis

SECTION 1 of the bill would prohibit the Health and Human Services Commission (HHSC) from reimbursing a provider under Medicaid for a nonmedically indicated cesarean section or labor induction performed at a hospital on a woman earlier than the 39th week of gestation.

SECTION 2 of the bill would require the Department of Aging and Disability Services (DADS), if cost-effective, to implement an Electronic Visit Verification system under appropriate Medicaid programs administered by the department.

SECTION 3 of the bill would require HHSC to conduct a study to assess the feasibility and cost-effectiveness of implementing an asthma self-management training program for children with asthma enrolled in Medicaid or the Children's Health Insurance Program (CHIP). A written report would be required by December 1, 2012.

SECTION 4 of the bill would repeal the prohibition on providing Medicaid using a health maintenance organization (HMO) in Cameron, Hidalgo, and Maverick counties.

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. It is unclear from the language of the bill whether the intent is to prohibit reimbursement for all nonmedically indicated cesarean sections or only those occurring earlier than the 39th week of gestation. According to HHSC, prohibiting reimbursement for all nonmedically indicated cesarean sections 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 2: According to DADS, implementation of electronic visit verification for programs administered by DADS could be achieved by December 1, 2011 and would save an estimated $22.2 million in fiscal year 2012 and $30.2 million in fiscal year 2013 and subsequent fiscal years. Savings are net of any increased contract costs from expanding an existing pilot program related to electronic visit verification.

SECTION 3: It is assumed that any costs from the required study and report would not be significant and could be absorbed within available resources.

SECTION 4 would implement a recommendation in the report "Repeal the Prohibition of Health Maintenance Organizations in Medicaid in South Texas" in the Legislative Budget Board's *Government Effectiveness and Efficiency Report*, submitted to the Eighty-second Texas Legislature, 2011. There would be no direct fiscal impact from repealing the prohibition; however, it is assumed that repealing the prohibition would result in HHSC implementing an HMO model of care throughout south Texas (13 counties, including the three where it is currently prohibited). According to HHSC, implementation of both the STAR and STAR+Plus delivery models could be expected in March of 2012, resulting in a net savings of $235.8 million in fiscal year 2012 and $456.9 million in fiscal year 2013 and subsequent years; these savings include client services and administrative savings. Expanding managed care would also result in an increase to premium tax revenue, not reflected in the total savings amounts. HHSC estimates additional premium tax revenue of $40.7 million beginning in fiscal year 2013.

Local Government Impact

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

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

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