LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 1, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB15** by Kolkhorst (Relating to level of care designations for hospitals that provide neonatal and maternal services.), **Committee Report 1st House, Substituted**

No significant fiscal impact to the state is anticipated through the biennium ending August 31, 2015. The fiscal impact is anticipated to be significant beginning in fiscal year 2016.

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
2014	($155,033)
2015	($184,091)
2016	($378,372)
2017	($762,642)
2018	($607,258)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *General Revenue Fund* 1	Probable (Cost) from *Federal Funds* 555	Change in Number of State Employees from FY 2013
2014	($155,033)	($40,000)	2.0
2015	($184,091)	($40,000)	2.5
2016	($378,372)	($40,000)	5.0
2017	($762,642)	($756,533)	6.0
2018	($607,258)	($126,735)	7.0

Fiscal Analysis

The bill would require the executive commissioner of the Health and Human Services Commission (HHSC) to assign level of care designations to each hospital based on the neonatal and maternal services provided at the hospital. The executive commissioner, in consultation with the Department of State Health Services (DSHS) would be required to assign the appropriate level of

care designations and to review the designations every three years; initial designations would be required to be completed by August 31, 2017 for neonatal services and by August 31, 2019 for maternal services. Any hospital failing to meet the minimum requirements for any level of care designation would be prohibited from receiving a designation and would be unable to receive Medicaid reimbursement for neonatal services beginning September 1, 2017 or for maternal services beginning September 1, 2019, as applicable, except for emergency services required to be provided or reimbursed under state or federal law. The bill would require the executive commissioner of HHSC to study patient transfers that are not medically necessary but would be cost-effective; the bill authorizes the executive commissioner to adopt rules addressing those transfers if they are determined to be feasible and desirable. The bill would create the Perinatal Advisory Council, which would work with HHSC and DSHS to develop a process for the designation and updates of levels of care for neonatal and maternal services; the advisory council would be subject to Chapter 325, Government Code (Texas Sunset Act) and, unless continued as provided by that chapter, the advisory council would be abolished on September 1, 2025.

Methodology

According to HHSC there would be a cost of $80,000 in All Funds, including $40,000 in General Revenue Funds, in fiscal years 2014, 2015, and 2016 associated with travel reimbursement for members of the Perinatal Advisory Council and staff supporting the advisory council. HHSC assumes 16 meetings per fiscal year due to the complex and technical nature of the task force's responsibilities and 10 out-of-town members attending each meeting at a cost of $500 per member per meeting.

According to DSHS, 2.0 full-time equivalents (FTEs) would be required beginning in fiscal year 2014 to coordinate with stakeholders; research and develop rules, policies, and procedures related to level of care designations; and work with the task force and regional advisory councils. Additional FTEs will be required to coordinate and work with the hospitals seeking designation and to review applications from the hospitals; staff is assumed to be phased in due to the staggered nature of the designations (1 FTE hired mid-year of fiscal year 2015, 2 additional FTEs in fiscal year 2016, 1 additional FTE added in fiscal year 2017 and 2018. Estimated General Revenue Fund staffing costs are $115,033 in fiscal year 2014; $144,091 in fiscal year 2015; $338,372 in fiscal year 2016; $405,174 in fiscal year 2017; and $480,523 in fiscal year 2018. According to the agency, staffing costs can be absorbed within available resources in fiscal years 2014 and 2015.

HHSC estimates a cost in fiscal year 2017 of $798,129 in All Funds, including $199,532 in General Revenue Funds, for one-time modifications to the claims processing system. The agency estimates ongoing operations costs of $315,872 in All Funds ($157,936 in General Revenue Funds) in fiscal year 2017 and $253,470 in All Funds ($126,735 in General Revenue Funds) in fiscal year 2018.

The fiscal impact of prohibiting Medicaid reimbursement for neonatal and/or maternal services for any hospital failing to meet the minimum requirements for any level of care designation cannot be determined. Until the system for assigning levels of care has been established, it cannot be determined whether or not any hospital would be prohibited from receiving reimbursement. Additionally, maternal and neonatal services are not defined so it is unclear what services could not be reimbursed.

It is assumed that any cost to study patient transfers would be minimal and could be absorbed by HHSC. Any cost or savings associated with implementing rules related to patient transfers cannot be determined until the results of the study are known.

Technology

A one-time cost of $798,129 in All Funds in fiscal year 2017 for modifications to the claims processing system is included.

Local Government Impact

Reimbursement to public hospitals could be reduced under the provisions of the bill, resulting in lost revenue or increased uncompensated care. The extent to which this could occur cannot be determined.

Source Agencies: 537 State Health Services, Department of, 529 Health and Human Services Commission

LBB Staff: UP, CL, MB, LR, NB, CH