LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 12, 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.), **As Introduced**

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	($824,125)
2017	($561,249)
2018	($466,653)

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	($824,125)	($756,533)	7.0
2017	($561,249)	($126,735)	7.0
2018	($466,653)	($31,201)	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 biennially; initial designations would be required to be completed by August 31, 2016. Any hospital failing to meet the minimum requirements for any level of care designation would be prohibited from receiving a designation and, beginning September 1, 2016, would be unable to receive Medicaid reimbursement for neonatal or maternal services, as applicable. The bill would create the Perinatal Facility Designation Implementation Task Force, which would work with HHSC and DSHS to develop a process for the designation of levels of care for neonatal and maternal services; the task force would be abolished on August 31, 2016.

Methodology

According to HHSC there would be a cost of $80,000 in All Funds, including $40,000 in General Revenue Funds, in fiscal year 2014 and fiscal year 2015 associated with travel reimbursement for members of the Perinatal Facility Designation Implementation Task Force and staff supporting the task force. 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, 2.5 full-time equivalents (FTEs) would be required in fiscal year 2014 and fiscal year 2015 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. An additional 4.0 FTEs would be required beginning in fiscal year 2016 to coordinate and work with the hospitals seeking designation and to review applications from the hospitals. Estimated General Revenue Fund staffing costs are $115,033 in fiscal year 2014; $144,091 in fiscal year 2015; $466,657 in fiscal year 2016; $434,514 in fiscal year 2017; and $435,452 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 2016 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 2016, $253,470 in All Funds ($126,735 in General Revenue Funds) in fiscal year 2017, and $62,402 in All Funds ($31,201 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. The Emergency Medical Treatment and Active Labor Act (EMTALA) imposes certain obligations related to examination and treatment of emergency medical conditions, including active labor. As written, the bill could prohibit Medicaid reimbursement for these services at facilities not receiving appropriate level of care designation. Prohibiting reimbursement to certain facilities could also create access-to-care issues if an alternative provider is not available. It is unclear to what extent there could be a conflict between the provisions of the bill and federal Medicaid requirements; to the extent that there is a conflict, federal Medicaid funds could be jeopardized.

Technology

A one-time cost of $798,129 in All Funds in fiscal year 2016 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: 529 Health and Human Services Commission, 537 State Health Services, Department of

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