

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 1, 2013

TO: Honorable Linda Harper-Brown, Chair, House Committee on Government Efficiency & Reform

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1924** by Eiland (Relating to the implementation of certain technology in the Health and Human Services Commission's claims processing procedures to prevent fraud, waste, and abuse in the Medicaid and child health plan programs.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time due to the unavailability of information on the cost of the described technology system, and, since implementing the bill may require obtaining prior federal approval, the unknown start date for implementation.

The bill would amend Chapter 531 of the Government Code to require the Health and Human Services Commission (HHSC) to contract with an entity for prepayment technology to prevent fraud, waste and abuse in the Medicaid and the Children's Health Insurance Plan (CHIP) programs. The technology would include provider data verification in a continually updated provider information database and predictive modeling and analytics related to provider reimbursement claims. HHSC's current fraud prevention software contract probably does not meet the standards described in the bill as it conducts retrospective, not prospective, modeling.

HHSC does not provide an estimate of the cost of contracting for the new technology since it is unknown at this time which technology would be chosen to implement the bill. However, according to HHSC, the cost for an additional 4 FTEs required to implement the bill, including FTE-related technology, would be \$394,921 in General Revenue Funds and \$789,842 in All Funds for the 2014-2015 biennium. Other estimates of the potential cost of the new system are not available at this time.

HHSC indicates that it may be problematic to pay for the new technology to the extent possible out of achieved savings, as directed by the bill, since most Medicaid program services are delivered through managed care organizations (MCOs). Achieved savings in an MCO environment would belong to the MCO. In addition, MCOs are already using utilization review processes that produce cost efficiencies so additional savings may be less than anticipated. If savings are achieved, they would potentially be reflected in future adjustments to premium costs.

Local Government Impact

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

Source Agencies: 529 Health and Human Services Commission

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