

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 1, 2013

TO: Honorable Richard Peña Raymond, Chair, House Committee on Human Services

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3398** by Raymond (Relating to the inclusion of enteral nutrition therapy providers in Medicaid managed care organizations' provider networks.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time; it is unknown what impact the bill could have on the providers contracting under Medicaid managed care. Depending on the disposition of the factors discussed below, costs could range from no impact to significant fiscal impact.

The bill would require each managed care organization (MCO) that contracts with the Health and Human Services Commission (HHSC) under Medicaid to allow a supplier of durable medical equipment and other supplies used specifically for enteral nutrition therapy to participate as a provider if they agree to comply with certain contract terms and are not prohibited from participating in Medicaid due to conduct constituting fraud, waste, and abuse.

Implementing the provisions of the bill could have a significant fiscal impact on the state, as HHSC anticipates there is a potential for increased costs for MCOs providing Medicaid services. MCOs frequently use selective contracting to reduce expenditures. Providers are willing to take lower rates in exchange for serving a greater number of clients. Requiring the MCO to contract with all willing providers of a certain type could remove the incentive for a provider to accept a lower rate if all providers will be in the network. This could have the effect of increasing the costs of services, resulting in increased premiums for MCOs. The number of providers who would agree to MCO contracts and meet the other requirements of the bill and the impact on cost and premiums cannot be determined at this time. HHSC estimates that a 5 percent increase to durable medical equipment expenditures could result in a cost of \$16.7 million in All Funds, including \$6.9 million in General Revenue Funds, in state fiscal years 2014-15. Conversely, if no additional providers choose to contract with MCOs, and therefore current contracting practices continue, there would be no significant fiscal impact.

The bill would take effect immediately if it receives a vote of two-thirds of all the members elected to each house; otherwise, the bill would be effective September 1, 2013.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission, 514 Optometry Board
LBB Staff: UP, CL, MB, LR, NB, ES, VJC