LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 26, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3426** by Lavender (Relating to reimbursement through the Medicaid program of nonemergency services provided through hospital emergency rooms.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3426, As Introduced: a positive impact of $89,736,684 through the biennium ending August 31, 2015.

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	$28,403,467
2015	$61,333,217
2016	$61,018,098
2017	$61,018,098
2018	$61,018,098

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from *GR Match For Medicaid* 758	Probable Savings from *Federal Funds* 555	Probable Revenue (Loss) from *General Revenue Fund* 1	Probable Revenue (Loss) from *Foundation School Fund* 193
2014	$28,403,467	$40,191,196	$0	$0
2015	$62,755,728	$87,377,593	($1,066,883)	($355,628)
2016	$62,815,782	$87,317,540	($1,348,263)	($449,421)
2017	$62,815,782	$87,317,540	($1,348,263)	($449,421)
2018	$62,815,782	$87,317,540	($1,348,263)	($449,421)

Fiscal Analysis

The bill prohibits Medicaid reimbursement for non-emergency medical services provided in hospital emergency rooms (ERs) with an exception for reimbursement for appropriate screenings

required under the federal Emergency Medical Treatment and Active Labor Act (EMTALA).

Methodology

According to the Health and Human Services Commission (HHSC), there would be one-time costs for systems modifications ($435,000 in All Funds) and revisions to provider materials ($45,300 in All Funds); these costs are assumed in fiscal year 2014. These activities are assumed to require six months, with implementation of the reimbursement prohibition in March 2014.

HHSC estimates an average cost per non-emergent ER visit of $142.42 ($53.22 for physician services and the remaining $89.20 for the hospital) in fiscal year 2014. These amounts are estimated to grow to $54.31 for physician services and $91.03 for hospital services in fiscal year 2015. HHSC assumes that under the provisions of the bill the physician payment would still occur as reimbursement for screening required by EMTALA, but that no fee to the facility would be paid. According to HHSC, there were 1,439,208 non-emergent ER visits reimbursed by Medicaid in fiscal year 2011. The number of visits is assumed to grow at the same rate as Medicaid enrollment through fiscal year 2015. The estimated number of non-emergent ER visits is 1,548,766 in fiscal year 2014 and 1,649,273 in fiscal year 2015; it is assumed that the reimbursement prohibition will apply to only one-half (774,383) of the visits in fiscal year 2014 due to March 2014 implementation. With a savings of $89.20 assumed for each visit in fiscal year 2014, estimated All Funds savings would be $69,074,964. With a savings of $91.03 assumed for each visit in fiscal year 2015 and beyond, estimated All Funds savings would be $150,133,321. This analysis does not project continued caseload or average cost growth in fiscal year 2016 and beyond nor does it assume a deterrent effect from the prohibition on reimbursement. Savings could be higher if implementation was completed prior to March 2014.

Based on the historical (through fiscal year 2011) percentage of expenditures for non-emergent ER visits attributable to Medicaid recipients enrolled in managed care and projected growth in managed care enrollment, it is assumed that approximately 68 percent of savings would be attributed to managed care, resulting in reductions to premium payments and a loss of insurance premium tax revenue (estimated as 1.75 percent of estimated reductions to managed care premium payments). The loss of revenue is adjusted for payment in March for each prior calendar year (an estimated one-third of estimated revenue for each fiscal year is assumed to be collected in that fiscal year with the remainder collected the following fiscal year). The loss of revenue is further adjusted for March 2014 implementation. Pursuant to Section 227.001(b), Insurance Code, 25 percent of the revenue loss is attributed to the Foundation School Fund. The total loss of premium tax revenue associated with the provisions of the bill is estimated to be $1.4 million in fiscal year 2015 and $1.8 million in fiscal year 2016 and beyond.

Technology

One-time systems modifications costs of $435,000 in All Funds in fiscal year 2014 are included.

Local Government Impact

Because this analysis assumes no deterrent effect, the savings would be a loss of revenue to hospitals and an increase to uncompensated care. To the extent that units of local government operate hospitals, there would be a significant local government impact. The proportion of lost revenue that would be experienced by hospitals operated by local governments cannot be estimated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: UP, CL, LR, NB