

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 23, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3473 by Paddie (Relating to contracts with managed care organizations under the Medicaid managed care delivery model.), **As Introduced**

The fiscal implications of the bill are likely to be significant, but cannot be determined at this time because the number of new mandatory contracts with managed care organizations and the number of persons enrolling in those health plans is not known.

The bill would expand the list of mandatory contracts under Medicaid managed care to apply to a managed care organization (MCO) that is owned by a nonprofit corporation that has a contract, agreement, or other arrangement with certain entities and would expand those entities to include a municipal hospital authority located in a county meeting specific population requirements. The bill would be effective immediately if it receives a vote of two-thirds of all members elected to each house; otherwise, it would be effective September 1, 2013.

Based on the 2010 decennial census conducted by the United States Census Bureau, five counties meet the population requirements specified in the bill; it is not known how many of those counties meet the other requirements of the bill. The impact of allowing MCOs owned by nonprofit corporations, in addition to those created by nonprofit corporations, is not known. According to the Health and Human Services Commission (HHSC), the provisions of the bill would limit the ability to select MCOs based on network adequacy and cost effectiveness in certain service areas. HHSC's ability to competitively contract with vendors could be impeded if additional entities receive automatic contract awards. Additionally, HHSC typically caps the number of MCOs operating in a region based on what the population can support. HHSC also indicates that the smaller, provider-owned MCOs tend to report similar administrative costs but higher claims costs (after adjusting for acuity) and tend to cost more overall. Adding additional mandatory contracts could result in increased average monthly capitation payments, with the fiscal impact dependent on the number of Medicaid enrollees covered by the newly contracted MCOs. Neither the number of new mandatory contracts nor the total enrollment in the new MCOs can be determined, but HHSC anticipates there would be a significant cost related to implementing the provisions of the bill.

Local Government Impact

Because the bill would not have statewide impact on units of local government of the same type or class, no comment from this office is required by the rules of the House/Senate as to its probable fiscal implication on units of local government.

Source Agencies: 529 Health and Human Services Commission

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