

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 3, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1041 by Collier (Relating to administrative and judicial review of certain Medicaid reimbursement disputes; authorizing a fee.), **Committee Report 1st House, Substituted**

The fiscal implications of the bill cannot be determined at this time but there would be a significant cost to implement. There would be additional staffing costs related to hearings, increased costs if hearings or the prohibition on confiscatory rates resulted in higher rates being paid, and increased technology costs related to adjusting reimbursement rates. The number of hearings that could ultimately be requested is unknown, but is expected to be significant.

The bill would prohibit Medicaid managed care organizations from paying a confiscatory, as defined by the bill, reimbursement rate. The bill would give Medicaid providers, including pharmacy providers, the right to a contested case hearing to dispute the amount of any Medicaid reimbursement rate if they believe the rate is confiscatory. The Health and Human Services Commission (HHSC) or the State Office of Administrative Hearing (SOAH) would be authorized to impose a fee not to exceed \$500 on each party to a contested case to offset the costs of the hearing.

The provisions of the bill could require increases to rates paid by managed care organizations or pharmacy benefit managers to providers in order to avoid confiscatory rates, as defined by the bill. It is not known whether any current rates would meet the definition for any provider as it is not known what would be considered a non-confiscatory rate. Each managed-care provider could potentially be reimbursed at individualized rates depending on its costs and required rates of return. These rate increases would result in increased premium payments to managed care organizations. There are hundreds of thousands of providers contracted with the state and/or managed care organizations to provide Medicaid services and thousands of rates paid to those providers. Under the provisions of the bill any of those providers could request a contested case hearing for any of those rates.

According to the Health and Human Services Commission (HHSC), additional staff would be required at an estimated cost of \$1.2 million in All Funds, including \$0.6 million in General Revenue Funds, in fiscal year 2016 and \$1.1 million in All Funds, including \$0.6 million in General Revenue Funds, in fiscal year 2017. Costs could be much more significant given the large number of providers and rates. Hearing costs are assumed to be offset with the fee. The actual cost of increased reimbursements to providers resulting from the hearings cannot be estimated because the specific rates that would be contested and the level of increase resulting is unknown.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 360 State Office of Administrative Hearings, 529 Health and Human Services Commission

LBB Staff: UP, NB, WP, LR, CH, ER