

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 20, 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.), **As Introduced**

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 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 give Medicaid providers the right to a contested case hearing to dispute the amount of any Medicaid reimbursement rate if they think the rate is below the level necessary to recover the provider's reasonable operating expenses and realize a reasonable return on the provider's investments that is sufficient to ensure confidence in the provider's continued financial integrity.

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), if one percent of providers each requested a hearing for a single rate each year HHSC would require additional staff at an estimated cost of \$2.4 million in All Funds, including \$1.2 million in General Revenue Funds, in each fiscal year. Costs could be much more significant given the large number of providers and rates.

HHSC estimates an additional one-time cost in fiscal year 2016 of \$1.9 million and ongoing costs of \$0.1 million in subsequent fiscal years to accommodate rate adjustments resulting from hearings. 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.

There could be additional increases to expenditures under the Medicaid program if increases were applied beyond the originally contested rate, which could result in increases to managed care premiums or fee-for-service costs and could ultimately affect the budget neutrality of the state's federal waiver for managed care.

Local Government Impact

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

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

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