

**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:** **HB3917** by Klick (Relating to the recoupment of payments on certain provider claims made under the Medicaid program.), **Committee Report 1st House, Substituted**

The fiscal implications of the bill cannot be determined at this time because sufficient information is not available to identify which overpayments would no longer be recovered and a complete estimate of increased contractor costs cannot be made. Additionally, the state would still be obligated to reimburse the federal government for their share of unrecovered overpayments using General Revenue Funds or risk the loss of federal funds provided for the Medicaid program.

The bill would require the Health and Human Services Commission (HHSC) to develop and implement policies to prevent recoupment of an improper payment made to a provider if the provider provided reimbursable service and submitted a clean claim for the service. Additionally, the policies developed must allow for the recoupment of an improper payment in the case of fraud or abuse and require that when recoupment is allowed it not exceed a specific amount. HHSC would be required to develop and implement methods to improve communications between affected parties. HHSC would be required to conduct studies to evaluate the feasibility of implementing a process related to subrogation and to identify improvements to reduce the incidence of retroactive disenrollment from Medicaid. If implementation of the process or improvements are determined feasible and cost-effective, HHSC would be required to implement. HHSC would be required to submit a report to certain standing committees of the house and senate detailing the results of the studies and any resulting changes by December 1, 2016.

There would be a significant cost to HHSC to implement the provisions of the bill, but a specific total estimate cannot be provided. There would be a one-time cost to modify the Texas Medicaid Management Information System and the Texas Integrated Eligibility Redesign System, which HHSC estimates would be \$5.5 million in All Funds, including \$1.4 million in General Revenue Funds, in fiscal year 2016 and ongoing operation costs of \$0.1 million in All Funds in each subsequent fiscal year. There would be additional significant costs associated with not recouping overpayments from providers, but the amount of these costs cannot be determined because a clear definition of what would constitute an error is not available and it is not known which overpayments could no longer be recovered based on information currently available. There would be a significant increase to Medicaid expenditures from not recouping all overpayments. The Medicaid claims administrator and Medicaid managed care organizations would need to make significant modifications to their existing recoupment process to identify the types of overpayments that could be recovered; the cost of these modifications would likely be reimbursed by the state through increased contractor costs and increased managed care premiums. Additionally, federal law requires states to recover overpayments regardless of the reason the

overpayment was made. The federal portion of the overpayment would need to be returned using General Revenue Funds if those amounts could not be recovered from providers or all federal matching funds for the Medicaid program could be jeopardized. According to HHSC, any cost associated with the studies and reporting could be absorbed within available resources.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 529 Health and Human Services Commission

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