

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

February 11, 2015

TO: Honorable Charles Schwertner, Chair, Senate Committee on Health & Human Services

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB424** by Schwertner (Relating to the licensing and regulation of hospitals in this state; increasing the amount of administrative penalties assessed or imposed against certain hospitals.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB424, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

To the extent that costs associated with the bill would be charged to the balances of the General Revenue-Dedicated Hospital Licensing Account 129, there would be a negative certification effect on General Revenue Related Funds.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Hospital Licensing Acct 129	Change in Number of State Employees from FY 2015
2016	(\$1,525,596)	13.1
2017	(\$1,708,905)	13.1
2018	(\$1,708,905)	13.1
2019	(\$1,708,905)	13.1
2020	(\$1,708,905)	13.1

Fiscal Analysis

The bill would amend Chapter 241 of the Health and Safety Code as it relates to hospital licensing and regulation.

The bill would require certain changes to license applications. It would require the Department of State Health Services (DSHS) to inspect each licensed hospital at least once every three years. The bill would authorize DSHS to bring action on behalf of the state if certain conditions exist.

Methodology

DSHS has the authority to increase licensing fees to offset costs associated with implementing this bill. However, this analysis assumes no change to current fees.

DSHS indicates that implementing provisions of bill requiring it to inspect all licensed hospitals once every three years would total \$1,525,596 in General-revenue Related Funds and All Funds for fiscal year 2016 and \$1,708,905 in General-revenue Related Funds and All Funds for every year thereafter. Implementation of the bill would require 13.1 full-time-equivalent positions (FTEs), including one manager, one administrative assistant, 10 nurses, one program specialist, and 0.1 FTEs for oversight at HHSC. The costs associated with FTEs would be phased in for the first year. Salary costs would be \$667,809 for fiscal year 2016 and \$890,264 for every year thereafter. Benefit costs would be \$226,253 for fiscal year 2016 and \$301,621 for every year thereafter. Other operating expenses would be \$631,533 for fiscal year 2016 and \$517,018 for every year thereafter. The agency indicates that provisions related to license applications could be implemented with existing resources.

The bill would require additional duties and responsibility from the State Office of Administrative Hearings (SOAH). Additional costs resulting from implementing the bill would be reflected at the Health and Human Services Commission (HHSC) because of an inter-agency contract between SOAH and HHSC. It is assumed the costs could be reasonably absorbed by HHSC using existing resources.

The Office of the Attorney General (OAG) estimates there would be costs associated with implementing provisions of the bill authorizing DSHS to request OAG to bring action on behalf of the state. It is assumed that the additional costs to the OAG could be absorbed within existing resources.

Technology

OAG indicates there would be technology costs associated with implementing provisions of the bill. It is assumed the cost to OAG could be absorbed.

Local Government Impact

According to the Texas Hospital Association, there may be costs of an indeterminate amount to hospitals in the case of an emergency suspension or increased penalty. The cost of a surety bond may impose additional costs to hospitals but are not expected to be significant. There may be increased costs for hospital staffing due to inspections, surveys, and investigations.

The Texas Association of Counties anticipates that there would be some fiscal impact to counties that could not be determined at this time.

Source Agencies: 302 Office of the Attorney General, 360 State Office of Administrative Hearings, 529 Health and Human Services Commission, 537 State Health Services, Department of

LBB Staff: UP, NB, WP, ADe, SD, VJC, KVe, CH