LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 21, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1602** by Kolkhorst (Relating to the delivery of certain Medicaid managed care benefits and reimbursement rates for certain of those services.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1602, As Introduced: a negative impact of ($1,020,880,147) through the biennium ending August 31, 2017.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	($161,250)
2017	($1,020,718,897)
2018	($971,258,002)
2019	($1,002,956,038)
2020	($1,006,346,305)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *GR Match For Medicaid* 758	Probable (Cost) from *Federal Funds* 555	Probable Revenue Gain from *Foundation School Fund* 193	Probable Revenue Gain from *General Revenue Fund* 1
2016	($161,250)	($483,750)	$0	$0
2017	($1,049,185,161)	($1,390,780,330)	$7,116,566	$21,349,698
2018	($1,042,071,613)	($1,380,787,287)	$17,703,403	$53,110,208
2019	($1,045,544,645)	($1,385,389,196)	$10,647,152	$31,941,455
2020	($1,049,029,437)	($1,390,006,687)	$10,670,783	$32,012,349

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC) to ensure that nursing facility providers authorized to provide services under Medicaid on September 1, 2015 could continue to participate under the STAR+PLUS Medicaid managed care program until August 31, 2019. The bill would also require that the minimum reimbursement rate paid to nursing facilities for persons dually eligible for Medicaid and Medicare be the Medicare reimbursement rate. Additionally, the bill would delay the date upon which certain requirements related to the Medicaid vendor drug formulary, preferred drug list, and prior authorization requirements become inapplicable and unenforceable from August 31, 2018 to August 31, 2019. HHSC would be directed to seek any necessary federal waiver or authorization and could delay implementation of any provision until such waiver or authorization is granted. The bill would be effective immediately with a two-thirds vote of all members elected to each house; otherwise, the bill would be effective September 1, 2015.

Methodology

The bill could effectively allow current nursing facility providers to continue providing services under STAR+PLUS for an additional two years, which would prevent the Medicaid managed care organizations from implementing selective contracting with nursing facilities in fiscal years 2018 and 2019. This would likely result in increased capitation rates for persons residing in nursing facilities in those two fiscal years. The degree to which rates would increase cannot be estimated and may or may not be addressed by other requirements in the bill related to increasing nursing facility rates.

According to HHSC, there would be a one-time cost in fiscal year 2016 of $645,000 in All Funds, including $161,250 in General Revenue Funds, to modify the Medicaid Management Information System. It is assumed that it would take one year to perform all necessary activities in order to implement the provisions of the bill. According to HHSC, Medicare reimburses nursing facilities at almost twice the level Medicaid does and most nursing facility residents are dually eligible for both programs. HHSC estimates a cost of $2.4 billion in All Funds, including $1.0 billion in General Revenue Funds, beginning in fiscal year 2017. These costs include increased reimbursement to nursing facilities as well as other increases to managed care capitation rates associated with those increases (premium tax, risk margin, and managed care administrative components). The increased capitation payments are assumed to result in an increase to insurance premium tax revenue, estimated as 1.75 percent of the increased expenditures. Revenue is adjusted for assumed timing of payments and prepayments resulting in assumed increased collections of $28.5 million in fiscal year 2017, $70.8 million in fiscal year 2018, $42.6 million in fiscal year 2019, and $42.7 million in fiscal year 2020. Pursuant to Section 227.001(b), Insurance Code, 25 percent of the revenue is assumed to be deposited to the credit of the Foundation School Fund.

The fiscal impact of continuing certain requirements related to provision of prescription drugs under the Medicaid program in fiscal year 2019 cannot be assessed because it is not known what actions might occur when those provisions become inapplicable and unenforceable or what the fiscal impact of delaying those actions might be.

Technology

According to HHSC, there would be a one-time cost in fiscal year 2016 of $645,000 in All Funds, including $161,250 in General Revenue Funds, to modify the Medicaid Management Information System.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission, 539 Aging and Disability Services, Department of

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