

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 9, 2017

TO: Honorable Larry Phillips, Chair, House Committee on Insurance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1649 by Muñoz, Jr. (Relating to the use of extrapolation by a health maintenance organization or an insurer to audit claims.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time because the effects of the provisions of the bill on the cost of managed care under Medicaid and the Children's Health Insurance Program is unknown.

The bill would prohibit health maintenance organizations and insurers operating preferred provider benefit plan from using extrapolation to complete audits of participating providers. Based on information provided by the Texas Department of Insurance and Texas Medical Board, this analysis assumes the duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

The provisions of the bill would prevent managed care organizations (MCOs) participating in Medicaid and the Children's Health Insurance Program (CHIP) from using extrapolation to complete audits. This could limit the ability of MCOs to recoup funds from providers in instances of fraud, waste, and abuse. This could ultimately affect the experience data used to establish rates for Medicaid and CHIP, resulting in higher premiums and a cost to state and federal funds. The magnitude of increased cost cannot be determined.

Local Government Impact

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

Source Agencies: 454 Department of Insurance, 503 Texas Medical Board, 529 Health and Human Services Commission

LBB Staff: UP, AG, LR, CP, KCA, TBo