

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 8, 2017

TO: Honorable John Zerwas, Chair, House Committee on Appropriations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3494 by Shine (relating to a demonstration program for real-time processing of workers' compensation authorizations of payment for medical services and medical bills.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3494, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2019.

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
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Interagency Contracts 777	Change in Number of State Employees from FY 2017
2018	(\$331,355)	2.0
2019	(\$882,708)	2.0
2020	(\$784,729)	2.0
2021	(\$31,612)	1.0
2022	\$0	0.0

Fiscal Analysis

The bill would amend the Labor Code to allow the State Office of Risk Management (SORM), if the agency determines it would be cost-effective, to implement a pilot project to process worker's compensation authorizations of payment for medical services and bills using a secure, web-based

portal. The bill would require the portal be used by SORM, state agencies, injured employees, and health care providers. Required features of the portal would include the ability to collect, input, and transmit administrative and clinical data, including patient information, provider contracts, treatment guidelines, and other information necessary for processing authorizations and medical bills; an automated process for requests for authorizations of payment for medical services and peer reviews at the point of care; and return to work best practices for workers' compensation claims, including complex case management.

Under the bill, SORM would be required to make a determination whether the pilot program would be cost-effective by January 1, 2018. If SORM chooses to implement the program, the evaluation period for the program would end June 30, 2020 and SORM would be required to provide a written program evaluation report to its board by December 31, 2020. The report would include an assessment of administrative cost savings and a recommendation of whether to use the new process on a permanent basis. If the report shows administrative cost savings, the bill would allow the board to adopt the process on a permanent basis.

The bill would take effect immediately if it receives a vote of two-thirds of all the members elected to each house or on September 1, 2017.

Methodology

The agency assumes it would require \$1,214,063 in Interagency Contracts and 2.0 FTEs in the 2018-19 biennium to implement the provisions of the bill. This analysis assumes SORM would offset the cost by increasing assessments charged to state agencies through Interagency Contracts. This analysis assumes increased assessments would not have a significant cost to individual state agencies.

To evaluate program cost-effectiveness, SORM assumes the program start date would be March 1, 2018. This analysis assumes costs to implement the bill would include contracted technology costs for use of a vendor web-based system. The pilot system would be separate from SORM's existing claims management system but integrated by data interchanges with existing systems. Based on an estimate provided by a potential vendor, SORM assumes the cost of using a vendor web-based system to cover 50% of the agency's covered workforce would total \$245,000 in fiscal year 2018 and increase to \$710,000 for fiscal year 2019. SORM anticipates the potential cost from September 1, 2019 to June 30, 2020 would be \$625,000.

SORM also assumes it would require 2.0 FTEs, including one Project Manager IV (\$69,415 annual salary) to manage the pilot program and one Claims Examiner IV (\$57,000 annual salary) to enter data and monitor for updates. Based on SORM's estimated 6 month evaluation period prior to implementing the program and the program completion and reporting dates in the bill, this analysis assumes the Claims Examiner IV would be required from March 1, 2017 to June 30, 2020 and the Project Manager IV would be required from March 1, 2017 to December 31, 2020. This analysis assumes prorated salaries for each fiscal year would total \$63,208, \$126,415, \$116,915, and \$23,138 for fiscal years 2018 through 2020 and benefit costs would total \$23,147, \$46,293, \$42,815, and \$8,473 for fiscal years 2018 through 2020.

Technology

This analysis assumes technology costs would total \$955,000 in the 2018-19 biennium to procure a vendor web-based system.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 479 State Office of Risk Management, 454 Department of Insurance

LBB Staff: UP, ASa, KK, NV, CL, RC