LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 9, 2017

TO: Honorable Richard Peña Raymond, Chair, House Committee on Human Services

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3982** by Raymond (Relating to the administration and operation of the Medicaid program in a managed care model.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time, but a significant fiscal impact to the state would be anticipated. Insufficient information is available to calculate a specific cost.

The bill would restrict managed care organizations (MCOs) from holding providers liable for services provided in good faith, that were determined to be an overpayment or debt by the Inspector General. The Health and Human Services Commission (HHSC) would be required to provide notice of any proposed recoupment of an overpayment or debt to hospital providers, no later than 90 days before the overpayment or debt must be paid. MCOs would be required to demonstrate that at least 98 percent of certain claims are paid within the time prescribed. HHSC would be required to determine MCO out-of-network provider usage limits relating to therapy services, home health services, long-term services and supports, and health care specialists. MCOs would be required to develop and maintain information related to provider appeals and disposition of those appeals on their Internet website. MCOs would be required to provide additional information on network adequacy reports they submit to HHSC. The bill would add a requirement for MCOs to present across-the-board reimbursement rate reductions to providers before being eligible to receive permission to implement the reductions. HHSC would be required to determine across-the-board provider reimbursement rate reductions that are likely to affect a substantial number of providers in an MCO's network, during the 12-month period following the proposed reduction. MCOs would be required to ensure that they have no ownership interest in at least one provider in each of their network's provider types. The bill would impose certain prior authorization requirements on MCOs related to response times, reporting requirements, and electronic access to prior authorizations for providers. HHSC would be required to establish minimum standards for determining the medical necessity of services covered through Medicaid. The bill would expand the reasons for which a Medicaid enrollee may enroll in another managed care health plan. HHSC would be required to implement a process by which verification is received regarding enrollment in a new plan before disenrollment occurs. MCOs would be required to ensure that service coordinators coordinate with hospital discharge planners for Medicaid patients. HHSC would be required to adopt criteria for MCO reimbursement of services related to certain hospital stays. HHSC would be required to provide certain individuals with intellectual or developmental disabilities (IDD) any medically necessary service.

According to HHSC, MCO operational costs may increase due to the inability to recoup from providers that provided services in good faith. It is unknown what instances may fall under a good faith provision and the ultimate impact on MCO costs. Medicaid providers are currently

encouraged to verify an individual's Medicaid eligibility prior to providing services. According to the Inspector General, hospital providers are currently given 30 days to appeal a proposed recoupment of debt and an additional 30 days to pay the debt. Increasing this period to 90 days could slow down the recoupment process and increase appeals. According to HHSC, several provisions of the bill could result in an increased level of effort for MCOs, which could increase capitation rates. However, HHSC does not have the information necessary to make appropriate assumptions to determine the fiscal impact. According to HHSC, the requirement to provide medically necessary services to certain IDD individuals would increase costs; however, analysis would be required to determine the extent to which medically necessary services are not being received.

According to HHSC, a majority of the provisions of the bill, relating to determining certain criteria and rules, have already been established by the commission.

Due to uncertainties regarding several provisions of the bill, a fiscal impact cannot be determined at this time. The cost would be primarily dependent on the extent to which HHSC adjusts managed care premiums to account for implementation of the provisions.

Local Government Impact

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

Source Agencies: 529 Health and Human Services Commission

LBB Staff: UP, KCA, LR, RGU, TBo