

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 21, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1207 by Schwertner (Relating to the repeal of certain contracting requirements under the Medicaid managed care delivery model.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time. Legislation is anticipated to be cost neutral or produce savings; however, the potential savings cannot be determined at this time.

The bill would eliminate existing requirements that mandate the Health and Human Services Commission to contract with managed care organizations (MCOs) that are wholly owned and operated by a hospital district as well as certain MCOs that are created by a nonprofit corporation and are affiliated with a hospital district or a municipality owning a hospital.

It is assumed that a hospital-based plan that is able to compete with other MCOs could still receive a contract to provide services and in those instances there would be no fiscal impact from the provisions of the bill. However, if a hospital-based plan is inefficient at containing costs and is replaced with a more efficient MCO because the provisions of the bill no longer mandate that they receive a contract, over time the addition of more cost-effective plans would be expected to reduce the aggregated experience data used to calculate base managed care premiums and could lead to savings in the Medicaid program. The degree to which this would occur cannot be determined and therefore no estimate of savings can be made.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time. Because the affected plans are affiliated with units of local government (hospital districts and municipalities) any savings to the state could result in a loss of revenue to a unit of local government.

Source Agencies: 529 Health and Human Services Commission

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