LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 11, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1927** by Kolkhorst (Relating to requiring the Health and Human Services Commission to evaluate and implement changes to the Medicaid program to make the program more cost-effective, increase competition among providers, and improve health outcomes for recipients.), **As Introduced**

Certain components of the bill are assumed to have no significant fiscal impact to the state, while others may result in a cost or a savings to the state. Therefore, the net fiscal implications of the bill cannot be determined at this time.

The bill would require the Health and Human Services Commission (HHSC) to establish rate ranges for managed care organizations (MCOs) to bid on during the competitive bidding contract process for Medicaid. HHSC would be required to assess the feasibility and cost-effectiveness of allowing Medicaid MCOs to contract statewide instead of on a regional basis. MCOs would be required to share with HHSC any money recovered through fraud investigation or recoupments of overpayments or debt.

HHSC would be required to study or evaluate (1) issues related to utilization of consumer directed services for certain Medicaid enrollees and the feasibility of creating a Medicaid community attendant registry; (2) certain factors related to providing dental services to Medicaid adults with disabilities; and (3) different Medicaid service delivery models, based on cost-effectiveness, competition among providers, and patient health outcomes. HHSC would be required to submit reports related to these studies to certain entities no later than December 1, 2018.

According to HHSC, any cost associated with the development of the rate ranges for MCOs to bid on could be absorbed within existing resources. It is unknown how premiums established under the new methodology would compare to those established under existing methodology. Therefore, it cannot be determined whether there would be a savings or cost to the state or what the magnitude of any fiscal impact might be.

Currently, MCOs may retain most funds collected from providers through payment recovery efforts. It is assumed that sharing MCO recoveries, made through fraud investigation or recoupments of overpayments or debt, with HHSC would result in a positive fiscal impact to the state. However, the positive fiscal impact cannot be determined due to uncertainties regarding the amount of recoveries MCOs recoup and the share that would be remitted to the state.

According to HHSC, the cost of assessing the feasibility and cost-effectiveness of allowing MCOs to contract statewide can be absorbed within their existing resources. It is assumed that the costs associated with conducting the three studies can be absorbed within HHSC's existing resources.

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