

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 1, 2019

TO: Honorable James B. Frank, Chair, House Committee on Human Services

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB3721 by Deshotel (Relating to an independent review organization to conduct reviews of certain medical necessity determinations under the Medicaid managed care program.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB3721, As Introduced: a negative impact of (\$745,092) through the biennium ending August 31, 2021.

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
2020	(\$378,317)
2021	(\$366,775)
2022	(\$366,775)
2023	(\$366,775)
2024	(\$366,775)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GR Match For Medicaid 758	Probable Savings/(Cost) from Federal Funds 555
2020	(\$378,317)	(\$583,588)
2021	(\$366,775)	(\$595,130)
2022	(\$366,775)	(\$595,130)
2023	(\$366,775)	(\$595,130)
2024	(\$366,775)	(\$595,130)

Fiscal Analysis

The bill would amend Chapter 533 of the Government Code to require the Health and Human Services Commission (HHSC) to contract with an independent review organization (IRO) to make determinations with respect to complaints or disputes, including a dispute at issue in a request for appeal, submitted to HHSC challenging a medical necessity determination of a managed care organization (MCO) that contracts with HHSC. The bill would require the Executive Commissioner of HHSC to set rules that determine the manner in which an IRO is to settle complaints or disputes and when in the appeals process an IRO may be accessed. The bill would require HHSC to ensure that the contract with an IRO meets a number of requirements. The bill would take effect September 1, 2019.

Methodology

This analysis assumes that HHSC would utilize rule-making authority identified in the provisions of the bill to ensure that external review will be offered to Medicaid clients after exhausting their MCO's appeals process and at the client's choice. This analysis assumes that a contract with an IRO to provide Medicaid clients with the option to select an external medical review by an IRO that meets federal and state external review requirements would cost \$961,905 in All Funds in each fiscal year. The increased costs would be matched with Federal Funds based on the Federal Medical Assistance Percentage (FMAP) for an estimated General Revenue impact of \$378,317 in fiscal year 2020 and \$366,775 in fiscal year 2021. Costs could vary if HHSC chooses to set rules that expand the scope of complaints or disputes that may be reviewed by an IRO.

Local Government Impact

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

Source Agencies: 529 Health and Human Services Commission

LBB Staff: WP, AKi, EP, MDI