

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 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: HB4178 by Frank (Relating to the operation and administration of certain health and human services programs, including the Medicaid managed care program.), **Committee Report 1st House, Substituted**

The fiscal implications of the bill cannot be determined at this time. Provisions of the bill related to review by an independent review organization of both recipient and provider appeals are assumed to have a significant cost, but due to insufficient information provided by HHSC, these costs cannot be determined.

The bill would require HHSC to ensure that HHSC's fair hearings process and a Medicaid managed care organization's (MCOs) process for resolving recipient and provider appeals of denial based on medical necessity include an independent review process. Due to insufficient information provided by HHSC, costs related to an increase in independent review of provider appeals cannot be determined at this time. Costs for other provisions of the bill are discussed in the remainder of this section.

Total costs for the 2020-21 biennium are estimated to be \$40.1 million in All Funds, including \$16.3 million in General Revenue, and 13.2 full-time-equivalents (FTEs) in each fiscal year. The total cost would be offset by \$0.6 million in revenue related to the estimated increase in insurance premium tax in fiscal year 2021.

HHSC estimates costs related to posting prior authorization criteria and timelines, updating and mailing letters or fee-for-service clients and providers, and making necessary system modifications to support these functions to be \$1.5 million in All Funds, including \$0.7 million in General Revenue, in fiscal year 2020 and \$0.2 million in All Funds, including \$0.1 million in General Revenue, in fiscal year 2021.

HHSC estimates costs to contract with an independent review organization (IRO) to be \$0.8 million in All Funds, including \$0.4 million in General Revenue, in each fiscal year beginning in fiscal year 2020, based on an assumed \$800 per case for review and a 50 percent uptake rate of the number of clients with an appeal related to a medical necessity or eligibility case who request and complete the entire fair hearings process.

This analysis assumes that HHSC will require 13.2 additional FTEs to conduct direct disability determination assessments. This includes 11.0 Nurse III positions, 1.0 Nurse IV, 1.0 Administrative Assistant II, and 0.2 Program Specialist V. FTE-related costs including salaries, benefits, technology, and other overhead and operating costs would be \$1.4 million in All Funds,

including \$0.7 million in General Revenue, in fiscal year 2020 and \$1.3 million in All Funds, including \$0.6 million in General Revenue, in subsequent fiscal years. This analysis assumes that raising the threshold for the Medicaid buy-in program for children with disabilities to the maximum amount allowable may result in an increase in workloads, but that the impact would not be significant.

Based on estimates provided by HHSC, it is assumed that system modifications to the Provider Management and Enrollment System would cost \$0.4 million in All Funds, including \$0.2 million in General Revenue, in fiscal year 2020. This analysis also assumes that application and system modifications to TIERS and Eligibility Supporting Technologies, the Long-Term Care Online Portal, and auxiliary technology services systems will be required. Total one-time technology costs are estimated to be \$1.5 million in All Funds, including \$0.6 million in General Revenue, in fiscal year 2020 and \$1.0 million in All Funds, including \$0.3 million in General Revenue, in fiscal year 2021.

HHSC indicates that provisions of the bill related to prior authorization timelines, the requirement for MCOs to discuss and respond to prior authorization requests from 6:00am to 6:00pm and maintain a telephone system to record requests after 6:00pm, as well as the requirement for MCOs to establish a process for reconsidering an adverse determination on a prior authorization request that resulted from the submission of insufficient or inadequate determination would have a cost of \$10.3 million in All Funds, including \$4.0 million in General Revenue, in fiscal year 2020, increasing to \$21.2 million in All Funds, including \$8.3 million in General Revenue, in fiscal year 2021 and to \$24.1 million in All Funds, including \$9.4 million in General Revenue, by fiscal year 2024.

The increases in client services payments through managed care are assumed to result in an increase to insurance premium tax revenue, estimated as 1.75 percent of the increased managed care expenditures, resulting in assumed increased collections of \$0.6 million in fiscal year 2021 and \$0.4 million beginning in fiscal year 2022. Pursuant to Section 227.001(b), Insurance Code, 25 percent of the revenue is assumed to be deposited to the credit of the Foundation School Fund.

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