

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 8, 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.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4178, As Introduced: a negative impact of (\$4,396,917) through the biennium ending August 31, 2021. In addition, there would be costs associated with changes to the provider management and enrollment system which cannot be determined.

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	(\$3,078,405)
2021	(\$1,318,512)
2022	(\$1,318,512)
2023	(\$1,318,512)
2024	(\$1,318,512)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>GR Match For Medicaid</i> 758	Probable Savings/(Cost) from <i>Federal Funds</i> 555
2020	(\$22,671)	(\$3,055,734)	(\$3,055,734)
2021	(\$21,847)	(\$1,296,665)	(\$1,298,686)
2022	(\$21,847)	(\$1,296,665)	(\$1,298,686)
2023	(\$21,847)	(\$1,296,665)	(\$1,298,686)
2024	(\$21,847)	(\$1,296,665)	(\$1,298,686)

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2019</b>
2020	2.0
2021	5.1
2022	5.1
2023	5.1
2024	5.1

## **Fiscal Analysis**

The bill would require the Health and Human Services Commission (HHSC) to publish notice of proposed changes to Medicaid or CHIP fees, charge, and rates in the Texas Register or public comment for a period of not less than 60 days before implementing a change; use a national provider identifier (NPI) to identify Medicaid providers; develop and publish a new Medicaid medical policy manual that meets certain requirements; ensure that the fair hearings process and the MCO's process for resolving recipient and provider appeals of medical necessity denials include an independent review process; develop and adopt policies to ensure coordination and timely delivery of Medicaid wrap-around benefits; ensure daily Medicaid managed care eligibility files indicate whether a recipient has primary health benefits plan coverage or health insurance premium payment coverage and provides certain other information; and develop and implement processes and policies to allow a provider who primarily provides services to a recipient through primary health benefit plan coverage to receive Medicaid reimbursement for services ordered, referred, prescribed, or delivered regardless of Medicaid enrollment.

The bill would also require managed care organizations (MCOs) to have appropriate personnel available at certain hours at a toll-free telephone number for prior authorization requests, and would delete a provision allowing a recipient to change managed care plans once for any reason after the first 90 days of initial MCO enrollment.

The bill would take effect September 1, 2019.

## **Methodology**

HHSC estimates that 5.1 full-time equivalent positions will be required to implement the provisions of the bill, including 3.1 Program Specialist V positions to file, review, and respond to public comments during the comment period for proposed fees, charge, and rates for payments under Medicaid and CHIP, 1.0 Contract Specialist V position to conduct contract monitoring of third party liability functions, and 1.0 Program Specialist V to maintain a list of services that an MCO may approve without having to coordinate with a recipient's primary health benefit plan issuer. This analysis assumes that the 3.1 Program Specialist V positions will not be required until fiscal year 2021, as provisions of the bill relating to changes to payment rates only applies to a change to a fee, charge, or rate that takes effect on or after January 1, 2021. The total cost for the additional FTEs, including salaries and benefits, is estimated to be \$0.2 million in All funds, including \$0.1 million in General Revenue Funds, in fiscal year 2020, and \$0.5 million in All Funds, including \$0.2 million in General Revenue Funds, beginning in fiscal year 2021.

HHSC estimates one-time costs of \$3.2 million in All Funds, including \$1.6 million in General Revenue Funds, for system modifications to claims administrator technology services to eliminate the required use of a state-issued provider number, \$1.2 million in All Funds, including \$0.6 million in General Revenue Funds, for creation and publication of an electronic operations

procedure manual, \$1.0 million in All Funds, including \$0.5 million in General Revenue Funds, for system edit changes for the enrollment broker to limit dis-enrollments from a managed care plan beginning on the 91st day of a recipient's enrollment in a managed care plan, and \$0.1 million in General Revenue Funds for system modifications to pharmacy claims administrator technology services.

HHSC estimates an annual cost of \$0.4 million in All Funds, including \$0.5 million in General Revenue Funds to contract with an independent review organization to provide for independent review during HHSC's fair hearing process and for recipient appeals of denials based on medical necessity. This estimate assumes a volume of cases based on a 50 percent uptake rate from the current number of clients with an appeal related to a medical necessity case who request and complete the HHSC fair hearings process. HHSC estimates costs of \$800 per case for review.

HHSC also estimates ongoing costs, beginning in fiscal year 2021, of \$1.5 million in All Funds, including \$0.8 million in General Revenue Funds, for increased claims administrator contract costs associated with the increase in frequency of Medicaid managed care eligibility files from once per week to once per day, as well as the collection, storage, and transmission of additional information required by the bill.

This analysis assumes that increased administrative costs to the MCOs related to expanded call center operations would be absorbed within existing capitation rates. HHSC also indicates that there would be additional costs for customization of the new provider management and enrollment system (PMES), to allow for non-enrolled providers to receive Medicaid reimbursement in certain circumstances as required by the provisions of the bill, but that the total costs cannot be determined due to the unknown number of providers to which those provisions would apply. The cost tables above do not include additional costs for changes to the PMES, however, based on LBB analysis of average implementation costs for change order requests to the MMIS, LBB estimates that implementation costs for changes relating to the provisions of the bill could have a negative impact of up to \$2.4 million in All Funds (\$1.2 million in General Revenue). The costs for changes related to the PMES could vary significantly based on the exact changes required.

The Department of Family and Protective Services (DFPS) and the Department of State Health Services (DSHS) may have a cost associated with HHSC's Public Assistance Cost Allocation Plan. It is assumed these costs could be absorbed within DFPS's and DSHS's existing agency resources.

### **Technology**

Technology costs are estimated to be \$5.5 million in All Funds in fiscal year 2020 and \$25,332 in each fiscal year beginning in fiscal year 2021, including \$11,940 in fiscal year 2020 and \$25,332 in each fiscal year beginning in fiscal year 2021 for FTE-related technology costs and one-time costs for system modifications for the claims administrator, pharmacy claims administrator, enrollment broker, and auxiliary technology services.

### **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