

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 18, 2019

TO: Honorable Lois W. Kolkhorst, Chair, Senate Committee on Health & Human Services

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

IN RE: **SB170** by Perry (Relating to reimbursement of rural hospitals participating in the Medicaid managed care program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB170, As Introduced: a negative impact of (\$135,749,212) 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	(\$68,331,810)
2021	(\$67,417,402)
2022	(\$69,200,544)
2023	(\$71,196,671)
2024	(\$73,250,682)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GR Match For Medicaid 758	Probable (Cost) from Federal Funds 555	Change in Number of State Employees from FY 2019
2020	(\$68,331,810)	(\$105,071,223)	8.0
2021	(\$67,417,402)	(\$109,149,195)	8.0
2022	(\$69,200,544)	(\$112,465,115)	8.0
2023	(\$71,196,671)	(\$115,715,914)	8.0
2024	(\$73,250,682)	(\$119,060,983)	8.0

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC) to adopt a reimbursement methodology for rural hospitals participating in the Medicaid managed care program allowing them to fully recover allowable costs in providing services.

Methodology

HHSC assumes they would directly reimburse rural hospitals, which would require rural hospital services to be carved out of Medicaid managed care. According to HHSC, the cost to reimburse rural hospitals at their cost for inpatient and outpatient services is estimated to be \$172.2 million in All Funds, including \$67.7 million in General Revenue, in fiscal year 2020 increasing to \$191.5 million in All Funds, including \$72.9 million in General Revenue, by fiscal year 2024.

According to HHSC, there would be a one-time cost associated with system modifications to the claims administrator of \$0.4 million in All Funds, including \$0.2 million in General Revenue, in fiscal year 2020.

It is assumed HHSC would need 8.0 full-time equivalents to calculate the necessary rates and cost settlements at a cost of \$0.8 million in All Funds, including \$0.4 million in General Revenue, in each fiscal year.

Technology

System modifications to the claims administrator are estimated at a one-time cost of \$399,000 in All Funds in fiscal year 2020.

Local Government Impact

According to the Texas Association of Counties, a positive fiscal impact to counties is anticipated. To the extent that rural hospitals are operated by local government entities, there would be an increase in revenue to such facilities.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: WP, AKi, LR, JGa, AF