

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 16, 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: SB1105 by Kolkhorst (Relating to the administration and operation of Medicaid, including Medicaid managed care.), Committee Report 2nd House, Substituted

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1105, Committee Report 2nd House, Substituted: a negative impact of (\$5,019,337) 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. The agency is required to implement a provision of this Act only if the legislature appropriates money specifically for that purpose. If the legislature does not appropriate money specifically for that purpose, the agency may, but is not required to, implement a provision of this Act using other appropriations available for that purpose.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$2,296,548)
2021	(\$2,722,789)
2022	(\$3,069,658)
2023	(\$3,140,337)
2024	(\$3,174,809)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from GR Match For Medicaid 758	Probable Savings/(Cost) from Federal Funds 555	Probable Revenue Gain/(Loss) from General Revenue Fund 1
2020	(\$11,879)	(\$2,292,557)	(\$3,207,007)	\$5,916
2021	(\$9,071)	(\$2,928,966)	(\$4,539,623)	\$161,436
2022	(\$19,657)	(\$3,203,600)	(\$4,994,343)	\$115,199
2023	(\$19,271)	(\$3,268,331)	(\$5,093,967)	\$110,449
2024	(\$10,578)	(\$3,306,543)	(\$5,118,397)	\$106,734

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from Foundation School Fund 193</b>
2020	\$1,972
2021	\$53,812
2022	\$38,400
2023	\$36,816
2024	\$35,578

**Fiscal Analysis**

The bill would require a Medicaid managed care plan offered by a managed care organization (MCO) that contracts with the Health and Human Services Commission (HHSC) to be accredited by a nationally recognized accreditation organization, and would authorize HHSC to determine whether all managed care plans offered by an MCO be accredited by the same organization or may be accredited by different organizations. The bill would require HHSC to prepare and submit a written report evaluating the feasibility of providing Medicaid benefits to children enrolled in the STAR Kids managed care program under an accountable care organization model or an alternate model developed by or in collaboration with the Centers for Medicare and Medicaid Services. The bill would require HHSC to ensure that a contract with an MCO include a requirement for the MCO to establish a process for reconsidering an adverse determination on a prior authorization request that resulted from the submission of insufficient or inadequate documentation. The bill would require HHSC to adopt rules and policies related to the determination of fees, charges, and rates under Medicaid. The bill would take effect September 1, 2019.

**Methodology**

Based on estimates provided by HHSC, this analysis assumes that there would be a cost associated with increased premiums for MCOs not currently accredited by a nationally recognized accreditation organization that pursue accreditation due to the requirements of the bill totaling \$0.7 million in All Funds, including \$0.2 million in General Revenue in fiscal year 2020 and \$0.3 million in All Funds, including \$0.1 million in General Revenue in fiscal year 2021.

HHSC estimates costs related to posting prior authorization criteria and timelines, updating and mailing letters to fee-for-service clients and providers, and making necessary system modifications to Claims Administrator and auxiliary technology services 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 each fiscal year beginning in fiscal year 2021.

Based on estimates provided by HHSC, this analysis assumes a cost of \$3.4 million in All Funds, including \$1.3 million in General Revenue, in fiscal year 2020 and \$7.0 million in All Funds, including \$2.7 million in General Revenue in fiscal year 2021, increasing to \$7.7 million in All Funds, including \$3.0 million in General Revenue by fiscal year 2024, related to 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 information, assuming an effective date of March 1, 2020.

This analysis assumes that costs associated with adoption of rules and policies and with reporting requirements could be absorbed within existing agency resources. The increases in client services

payments through managed care are assumed to result in an increase to insurance premium tax revenue, resulting in assumed increased collections of \$7,888 in fiscal year 2020 and \$0.2 million beginning in fiscal year 2021, and ranging from \$0.1 million to \$0.2 million in each fiscal year 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.

### **Technology**

System modifications related to Claims Administrator and auxiliary technology services are estimated at a one-time cost of \$1,461,000 in All Funds in FY 2020.

### **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