

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 1, 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: **SB1105** by Kolkhorst (Relating to administration and operation of Medicaid, including Medicaid managed care.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1105, As Introduced: a negative impact of (\$809,913) 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	(\$482,900)
2021	(\$327,013)
2022	(\$466,177)
2023	(\$407,870)
2024	(\$330,085)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GR Match For Medicaid</i> 758	Probable Savings/(Cost) from <i>GR Match For Title XXI</i> 8010	Probable Savings/(Cost) from <i>GR Match for Food Stamp Admin</i> 8014	Probable Savings/(Cost) from <i>Tobacco Receipts Match For Chip</i> 8025
2020	(\$582,643)	(\$21)	(\$857)	(\$11,879)
2021	(\$429,861)	(\$20)	(\$798)	(\$8,834)
2022	(\$559,387)	(\$20)	(\$798)	(\$18,472)
2023	(\$501,443)	(\$20)	(\$798)	(\$18,109)
2024	(\$431,826)	(\$20)	(\$798)	(\$9,941)

Fiscal Year	Probable Savings/(Cost) from Federal Funds 555	Probable Savings from GR Match For Medicaid 758	Probable Savings from Federal Funds 555
2020	(\$778,625)	\$112,500	\$112,500
2021	(\$526,525)	\$112,500	\$112,500
2022	(\$764,515)	\$112,500	\$112,500
2023	(\$669,447)	\$112,500	\$112,500
2024	(\$532,904)	\$112,500	\$112,500

Fiscal Year	Change in Number of State Employees from FY 2019
2020	8.1
2021	8.1
2022	8.1
2023	8.1
2024	8.1

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC) to enroll a provider as a Medicaid provider without requiring the provider to separately apply for enrollment through the Medicaid claims administrator if the provider is credentialed by a managed care organization (MCO) or is enrolled as a Medicare provider. The bill would require HHSC to standardize the definition of a grievance, create a no-wrong door system for Medicaid grievances reported to HHSC, and establish a procedure for expedited resolution of grievances.

The bill would prohibit HHSC from requiring prior authorization under the Medicaid vendor drug program for low-cost generic drugs and would require the Executive Commissioner of HHSC to adopt rules defining low-cost for that purpose. The bill would authorize HHSC to allow care management assessments to utilize any national screening tool that an assessor chooses to use. The bill would require HHSC to develop and implement a pilot program through which Medicaid benefits are provided to children enrolled in the STAR Kids managed care program under an accountable care organization model with participation in the pilot program being optional.

The bill would require HHSC to only contract with an MCO that is accredited by a nationally recognized accrediting entity and to establish uniform policies for MCOs who are eligible for the Health Insurance Premium Payment program to ensure the MCO pays deductibles, copayments, and cost sharing without prior authorization. The bill would require HHSC to contract with statewide MCOs for certain programs or categories of recipients to be selected by HHSC and would require HHSC to submit a written report to the Legislature evaluating the outcomes of the statewide managed care plan and making recommendations regarding the continuation, expansion, or termination of the plans. The bill would also require HHSC to conduct a study of the 30-day limitation on reimbursement for inpatient hospital care in STAR+PLUS using available resources.

Methodology

Based on estimates provided by HHSC, this analysis assumes HHSC would need to hire 8.1 FTEs, including 1.0 Manager II, 1.0 Project Manager V, 1.0 Project Manager VII, 2.1 Program Specialist V, and 3.0 Program Specialist IV to provide additional contract oversight of managed care organizations and the pilot program required by the provisions of the bill. This analysis assumes the cost of the additional FTEs, including salary and benefits, would be \$925,862 in fiscal year 2020 and \$866,019 in fiscal year 2021.

This analysis assumes that HHSC would seek to maximize drug rebate revenue in adopting rules to define low cost generic drugs for the purposes of determining which drugs require prior authorization.

HHSC estimates that the client services impact for costs related to accreditation of MCOs would total \$668,196 in fiscal year 2020 and \$312,082 in fiscal year 2021. HHSC estimates a savings of \$125,000 in General Revenue in each fiscal year related to the external quality review organization (EQRO) contract.

HHSC also indicates that there would be increased costs for changes to the provider management and enrollment system within the state Medicaid Management Information System (MMIS). 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). However, costs for changes related to the PMES could vary significantly based on the exact changes required.

The costs of implementing a pilot program through which Medicaid benefits are provided to children enrolled in the STAR Kids managed care program under an accountable care organization model with participation in the pilot program being optional cannot be determined at this time because information is not available on the potential size and scope of the pilot program.

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

Technology

FTE-related technology costs are estimated to be \$48,357 in fiscal year 2020 and \$40,233 in fiscal year 2021.

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