

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

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

**May 15, 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:** SB1140 by Watson (Relating to an independent medical review of certain determinations by the Health and Human Services Commission or a Medicaid managed care organization.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds for SB1140, As Engrossed:** a negative impact of (\$1,384,518) 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	(\$692,259)
2021	(\$692,259)
2022	(\$692,259)
2023	(\$692,259)
2024	(\$692,259)

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

Fiscal Year	Probable Savings/(Cost) from <i>GR Match For Medicaid</i> 758	Probable Savings/(Cost) from <i>Federal Funds</i> 555
2020	(\$692,259)	(\$692,259)
2021	(\$692,259)	(\$692,259)
2022	(\$692,259)	(\$692,259)
2023	(\$692,259)	(\$692,259)
2024	(\$692,259)	(\$692,259)

## **Fiscal Analysis**

The bill would require the Health and Human Services Commission (HHSC) to contract with at least three third-party arbiters to resolve appeals of a managed care organization (MCO) adverse benefit determination made on the basis of medical necessity, a denial of Medicaid eligibility by HHSC on the basis of medical and functional needs, or a reduction in or denial of health care services. The bill would require that a third party arbiter establish and maintain an Internet portal through which a recipient may track the status and final disposition of an appeal and educate recipients and employees of MCOs regarding appeals processes, and would require HHSC to review denial data to identify trends. The bill would also require the Executive Commissioner of HHSC to adopt necessary rules to implement the provisions of the bill. The bill would take effect September 1, 2019.

## **Methodology**

Based on estimates provided by HHSC, this analysis 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 or eligibility case who request and complete the HHSC fair hearings process. HHSC estimates costs of \$800 per case for review and additional costs of \$210,000 in All Funds for each of the three arbiters in each fiscal year for additional functions required of a third party arbiter by provisions of the bill. This analysis assumes federal matching funds for Medicaid administration at a 50 percent matching rate and assumes that third party review would be optional for the client and the current volume of appeals would not change based on the provisions of the bill.

## **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, MDI, AKi, EP, SD