

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 25, 2019

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
 Honorable Dennis Bonnen, Speaker of the House, House of Representatives

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

IN RE: SB2138 by Hinojosa (Relating to the administration and operation of Medicaid.),
Conference Committee Report

Estimated Two-year Net Impact to General Revenue Related Funds for SB2138, Conference Committee Report: an impact of \$0 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	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Federal Funds</i> 555	Probable Savings/(Cost) from <i>Approp Receipts- Match For Medicaid</i> 8062	Probable Revenue Gain from <i>Federal Funds</i> 555	Probable Revenue Gain from <i>Approp Receipts- Match For Medicaid</i> 8062
2020	(\$1,288,526)	(\$1,290,703)	\$4,000,000	\$4,000,000
2021	(\$1,051,292)	(\$1,053,319)	\$4,000,000	\$4,000,000
2022	(\$1,051,292)	(\$1,053,319)	\$4,000,000	\$4,000,000
2023	(\$1,051,292)	(\$1,053,319)	\$4,000,000	\$4,000,000
2024	(\$1,051,292)	(\$1,053,319)	\$4,000,000	\$4,000,000

Fiscal Year	Change in Number of State Employees from FY 2019
2020	10.1
2021	10.1
2022	10.1
2023	10.1
2024	10.1

Fiscal Analysis

The bill would authorize HHSC to retain up to \$8.0 million each fiscal year of funds received to operate certain health care programs under the Medicaid program to pay for administration of those programs. The bill would require that HHSC submit an annual report related to the amount retained and spent for administration.

The bill would require HHSC's medical and utilization review appeals unit to comply with the federal coding guidelines adopted by the U.S. Department of Health and Human Services in accordance with the Health Insurance Portability and Privacy Act of 1996.

The bill would amend Chapter 533 of the Government Code to require managed care plans offered by a Medicaid managed care organization (MCO) with which HHSC contracts with to be accredited by a nationally recognized accreditation organization.

Methodology

This analysis assumes that implementing the provisions of the bill would cost \$35.3 million in fiscal year 2020 and \$35.3 million in fiscal year 2021. This analysis assumes the provisions of the bill would result in a revenue gain of \$8.4 million in All Funds in fiscal year 2020 and \$8.4 million in fiscal year 2021.

HHSC estimates that it would need 10.1 Full-Time Equivalent positions (FTEs) to administer certain health care programs under the Medicaid program in each fiscal year. HHSC anticipates salary and employee benefit costs of \$1.1 million in All Funds in each fiscal year. The agency estimates additional operating expenses of \$1.1 million in fiscal year 2020 and \$1.0 million in every year thereafter. This analysis assumes one-time information technology costs of \$0.4 million in fiscal year 2020. Based on the Legislative Budget Board's (LBB) analysis of HHSC, responsibilities associated with submitting an annual report related to the amount retained and spent for administration could be accomplished by utilizing existing resources.

HHSC indicates that approximately \$5.3 billion would be available in fiscal year 2020 to operate certain health care programs under the Medicaid program. This analysis assumes that the agency would retain \$8.0 million in All Funds each fiscal year of the amount available. However, the bill allows HHSC to retain a lower amount as needed to administer the programs. HHSC indicates that it would not need to retain the entire \$8.0 million each fiscal year to implement the provisions of the bill. In addition, the bill allows HHSC to retain additional funds as needed to administer the programs, with the approval of the governor and LBB. The bill prohibits HHSC from retaining a total amount exceeding 0.25 percent of the amount available to operate the programs.

HHSC indicates that the costs associated with the provisions of the bill requiring HHSC's medical and utilization review appeals unit to comply with federal coding guidelines could be absorbed within existing resources. According to HHSC, there would be a minimal cost associated with

increased premiums for MCOs not currently accredited that pursue accreditation due to the requirements in the bill. It is assumed those increased costs can be absorbed within the available resources of the agency.

Technology

To implement the provisions of the bill related to the administration of certain health care programs under the Medicaid program, this analysis assumes one-time information technology costs of \$0.4 million in All Funds in fiscal year 2020 for HHSC to develop a database of hospital financial and payment information. HHSC indicates it would use the database to run reports, track trends, and comply with audits related to certain health care programs under the Medicaid program.

Local Government Impact

To the extent that HHSC retains funds to pay for implementation of certain health care programs under the Medicaid program as provided by the bill, units of local government may see a loss in revenue related to such program funding.

Source Agencies:

LBB Staff: WP, KK, ER, ADe