

**SUBJECT:** Establishing automated nursing home data system

**COMMITTEE:** Human Services — committee substitute recommended

**VOTE:** 6 ayes — Hilderbran, Naishtat, Krusee, Maxey, Park, Wohlgemuth  
0 nays  
0 present, not voting  
3 absent — Davila, Denny, J. Jones

**WITNESSES:** For — John Holtermann, Phill Parmer, Texas Silver-Haired Legislature; Melody Chatelle, Living Centers of America and the Texas Health Care Association; David Latimer, Texas Association of Homes and Services for the Aging  
Against — None  
On — Burton F. Raiford, Texas Department of Human Services

**DIGEST:** CSHB 867 would require the Department of Human Services (DHS) to acquire and develop an automated Medicaid reimbursement system, to be implemented not later than January 1, 1997, capable of linking the department electronically with nursing homes making reimbursement claims.  
  
DHS would also be directed to select a system that would allow the addition of other Medicaid components (including those administered by other state agencies), to apply for federal funding for the system, to assist nursing homes in making their systems compatible and to use federal forms designed for nursing home use.  
  
Nursing homes would be required to submit claims electronically and would be charged a fee set by the department if they do not submit claims electronically. The fee would have to be set in an amount to cover the costs of manually processing the claims.

The department also would be required to process electronic claims within 30 days, to adopt rules as necessary to improve the efficiency of the reimbursement process, and to reduce staff and purchases as savings from the system are realized. The department also would be required to give priority to developing and implementing the automated reimbursement system over any other equipment and automation upgrades.

The bill would take immediate effect if approved by two thirds of the membership of each house.

**SUPPORTERS  
SAY:**

CSHB 867 would help make nursing home Medicaid patient data and reimbursement processing more efficient, and achieve cost-savings in state and nursing home operations. The state would have more accurate, uniform and quickly reported data to compare against national data and to better audit and regulate nursing home reimbursement and patient care.

Nursing homes would spend less money on administrative costs, ultimately saving Medicaid program dollars. Nursing home nurses now have to fill out two forms for patient care and reimbursement, a required federal patient data form (called Minimum Data Set plus or MDS+) and a state form to determine patient severity and reimbursement category. CSHB 867 would require the state to use the MDS+ form, or a similar federal form, as a basis to calculate reimbursement, thereby freeing up more time for direct patient care. Electronic billing would require less paper-shuffling and reduce nursing home administrative expenses and the potential for mistakes.

A relatively small expenditure now would save the state money by reducing claims processing costs and through Medicaid savings from reduced nursing home business costs. The DHS computer system for Medicaid claims processing is old, inefficient, results in delayed payments and will have to be replaced soon. The federal government is expected to require electronic billing for all states within about the next year and will likely continue to help fund 50 percent of state Medicaid computerization and administrative costs. The state would be getting a new system for about half the total cost, or only about \$3.7 million.

CSHB 867 would be building upon current trends in business and nursing home practices. Many nursing homes, especially those associated with

large chains, are computerized. Those that are not computerized would have at least a year and a half to obtain appropriate hardware, software and expertise. Fees for manual billing would provide nursing homes incentives to computerize and ensure that state dollars are not wasted on a program that will not be fully utilized.

Medicaid would not be paying for nursing home computers because nursing home business cost-reimbursements are based on statewide average costs, and most nursing homes are already computerized.

At least 26 states are in the process of upgrading their Medicaid reimbursement systems. An automated patient data and reimbursement system also has been recommended by the Texas Performance Review in its report *Gaining Ground*, recommendation HHS 24, which estimated that savings in personnel and program costs should be sufficient to cover the state's costs of the new system. DHS has already begun reengineering and planning a claims management system similar to proposed legislation and does not anticipate the need for any additional employees.

OPPONENTS  
SAY:

The automated system required by CSHB 867 would be costly and may not give the state and some nursing homes sufficient time to implement electronic billing and data submission.

Setting up automated data and claims filing is a complex project, and recalibrating reimbursement based on the MDS+ forms could require changing the entire nursing home reimbursement system. Smaller nursing home chains or individual homes may not have the resources or the expertise to set up and operate the required automation.

CSHB 867 could help some nursing homes set up computer systems at state expense, as business costs of computerization or upgrades would be included in data used by the department to calculate reimbursement.

NOTES:

The committee substitute changed the implementation date from September 1, 1996, in the original version to January 1, 1997, added the requirement that DHS assist nursing homes in making their systems compatible and removed reference to the specific federal MDS+ form.