

## **BILL ANALYSIS**

Senate Research Center  
79R8117 KLA-F

S.B. 1482  
By: Shapleigh  
Health & Human Services  
5/2/2005  
As Filed

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

The 78th Legislature, Regular Session, 2003, passed H.B. 2292 with the intent of consolidating and streamlining the delivery of health and human services in Texas in order to create a more efficient network and save the state money. As part of this effort to make state government more cost-effective, H.B. 2292 included many new opportunities to contract out the delivery of certain services to the private sector. Most notably, the law directs the Health and Human Services Commission (HHSC) to consider contracting with a private company to determine eligibility for public benefits through the use of call centers. H.B. 2292 also provided for the expansion of Medicaid managed care, the potential privatization of state schools and state hospitals, and more privatization of community mental retardation services. In addition to the contracting opportunities created by H.B. 2292, the 79th Legislature, Regular Session, 2005, is considering full privatization of case management in Child Protective Services.

H.B. 2292 provided for the privatization of health and human services only to the extent that contracting offers a more cost-effective way to provide services now administered by state employees. HHSC has adopted a set of "Guiding Principles for Business Decisions," which are intended to assist HHSC in determining which health and human services functions should be outsourced to the private sector. The first of these principles is to "carefully compile decision criteria."

This principle requires that every analysis of agency operations begin with a thorough examination of that function's mission, business processes, and service level, which will form the "As Is" model for that function. HHSC staff will then develop an "optimized" model to determine the most effective way to perform those functions in-house. HHSC will also evaluate how the private sector would perform these functions and at what cost, or an "outsourced" model. Decisions on which model to use will be based on the goal of providing the best value and services to Texans.

As proposed, S.B. 1482 seeks to strengthen this first, integral step in HHSC's decision-making process by requiring HHSC to consider all relevant factors in determining whether a potential vendor offers the best value to the State of Texas. S.B. 1482 amends the current statute in the Government Code related to the determination of best value to ensure a more comprehensive cost-benefit analysis. Specifically, S.B. 1482 requires a determination of best value to consider all costs associated with acquiring a vendor's services including start-up costs, transition costs, the cost of contract monitoring and other administrative costs, the cost to the agency should the vendor fail to comply with the terms of the contract, and the economic impact to local government of any reduction in force associated with the contract.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 2155.144(d), Government Code, to require, rather than authorize, an agency to which this section applies to consider all relevant factors in determining the best value. Amends specific factors which are required to be considered.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2005.