

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 23, 2003

TO: Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1735 by Delisi (Relating to disease management services under certain state-funded or state-administered health plans.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1735, As Engrossed: a positive impact of \$3,983,142 through the biennium ending August 31, 2005.

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
2004	\$1,961,571
2005	\$2,021,571
2006	\$2,021,571
2007	\$2,021,571
2008	\$2,021,571

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Probable Savings/(Cost) from GR MATCH FOR MEDICAID 758	Probable Savings/(Cost) from FEDERAL FUNDS 555
2004	(\$40,000)	\$2,001,571	\$3,012,355
2005	\$0	\$2,021,571	\$3,032,355
2006	\$0	\$2,021,571	\$3,032,355
2007	\$0	\$2,021,571	\$3,032,355
2008	\$0	\$2,021,571	\$3,032,355

Fiscal Analysis

The bill would require agencies that operate certain state-funded or state administered health plans to implement a disease management program within their managed care delivery systems. It would also require them to conduct studies of the benefits and costs of applying disease management principles and to report the findings to the Legislature by December 1, 2004.

The Health and Human Services Commission (HHSC) indicated a client services savings related to the implementation of disease management program within the Medicaid program. The Employees Retirement System (ERS) and the University of Texas System indicated that they are already utilizing

disease management programs for clients with certain conditions. Therefore, they estimate no additional savings. The A&M System indicated no fiscal impact related to this bill.

The Teacher Retirement System (TRS) identified costs and savings for implementation of a disease management program for TRS-Care retire insurance. An estimated \$3.6 million per year in net savings would accrue to the Retired School Employee Group Insurance Fund. The agency stated that there is not yet sufficient information available to evaluate opportunities for savings in the Active Care Program.

The following agencies indicated an administrative cost related to the required study: HHSC, ERS, and the University of Texas System.

Savings assumptions are compared to a continuation of current law and policies.

Methodology

Regarding client services in the Medicaid program, the following is assumed:

1. The number of impacted average monthly Medicaid managed care clients would total 1,068,511 per year. Of this amount, 42,226 would be Blind and Disabled and 1,026,285 would be non-Disabled and Blind.
2. The estimated All Funds savings per month per Blind and Disabled client would total \$4.87. The estimated All Funds savings per month per non-Blind and Disabled client would total \$0.21. The same level of savings are assumed to occur each year, beginning in fiscal year 2004. Forty percent of the savings would accrue to General Revenue and 60 percent would accrue to Federal Funds.

Regarding administrative costs for the required studies:

1. It is assumed that the Health and Human Services Commission (HHSC), the Employee Retirement System (ERS), the Teacher Retirement System (TRS), and the University of Texas System would each expend \$40,000 in fiscal year 2004 to conduct the study. For HHSC, it is assumed that expense would be shared equally between General Revenue and Federal Funds. For the UT System, it is assumed the expense would be funded with General Revenue. ERS and TRS costs would be borne by their respective trust funds.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System, 454 Department of Insurance, 529 Health and Human Services Commission, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 323 Teacher Retirement System

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