LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 31, 2003

TO: Honorable Carlos Uresti, Chair, House Committee on Human Services

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB2604** by Coleman (Relating to health benefits coverage for certain low-income parents of children receiving Medicaid or enrolled in the state child health plan.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2604, : a negative impact of ($1,047,064,707) 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	($334,615,352)
2005	($712,449,355)
2006	($731,947,301)
2007	($751,974,239)
2008	($772,001,176)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *GR MATCH FOR MEDICAID* 758	Probable (Cost) from *Counties--Used as Match for Medicaid*	Probable (Cost) from *FEDERAL FUNDS* 555	Change in Number of State Employees from FY 2003
2004	($334,615,352)	($111,538,451)	($669,402,980)	3.0
2005	($712,449,355)	($237,483,118)	($1,446,477,899)	3.0
2006	($731,947,301)	($243,982,434)	($1,487,894,797)	3.0
2007	($751,974,239)	($250,658,080)	($1,528,606,374)	3.0
2008	($772,001,176)	($257,333,725)	($1,569,317,951)	3.0

Fiscal Analysis

The bill would direct the Health and Human Services Commission (HHSC) to develop and implement a statewide program in which health benefits coverage is provided to an individual who: (1) is the parent of a child receiving medical assistance (Medicaid) or of a child enrolled in the state child health plan program (CHIP), (2) has a family income that is at or below 200 percent of the federal poverty level, and (3) is not covered by health insurance or another type of health benefit plan other than a health benefit plan that is administered by or on behalf of a local governmental entity. The commission shall ensure that the program is designed and administered in a manner that qualifies for federal funding and is financed using state money (General Revenue) and money made available by local governmental entities (local funds) to the commission for federal matching purposes.

The bill would direct HHSC to appoint an advisory committee to provide recommendations on the implementation and operation of the program.

Methodology

It is assumed that local governmental entities would provide local funds in lieu of one-fourth of the General Revenue amounts identified below. It is assumed that the health benefits plan would be implemented only to the extent that (1) local funds are made available for these purposes, and (2) that the federal government authorizes the use of federal funds to match local funds for these purposes. It is assumed that the health benefits plan would be financed using appropriate Medicaid match rates: roughly 40 percent General Revenue and 60 percent Federal Funds for client services, and 50 percent General Revenue and 50 percent Federal Funds for administrative activities.

The estimate assumes three primary cost components to implement the bill: (1) state workers related to the implementation and oversight of the health benefits plan, (2) contractor costs related to administration of the health benefits plan (enrolling clients and paying providers), and (3) the provision of client services.

1. It is assumed that Health and Human Services Commission (HHSC) would hire 3.0 Full-time-equivalents (FTEs): 1.0 program specialist, 1.0 administrative technician, and 1.0 accountant. Combined salaries would total $102,156 per year. Employee benefits would total $29,074 per year. Related expenses would total $12,182 per year. A one-time equipment expense of $15,450 would occur in fiscal year 2004. These administrative expenses would be financed equally with General Revenue (Match for Medicaid) and Federal (Medicaid) Funds.

2. It is assumed that HHSC would pay a contractor $57.80 per year per health plan client to administer the program. These administrative expenses would be financed equally with General Revenue (Match for Medicaid) and Federal (Medicaid) Funds.

3. It is assumed that the following number of clients would participate in the health benefits plan: 728,000 in fiscal year 2004, 782,000 in fiscal year 2005, 804,000 in fiscal year 2006, 826,000 in fiscal year 2007, 848,000 in fiscal year 2008. (Provision of client services is assumed to begin March 1, 2004; therefore the number of receipient months per month for fiscal year 2003 would be 364,000.) The estimated cost of client services is $250.54 per client per month. This package would be equivalent to services received for the TANF Adult category in the Medicaid program, and would include premium services, prescription drugs, and cost reimbursed services. These costs are assumed for fiscal year 2004 and for each subsequent fiscal year. These client services expenses would be financed with roughly 40 percent General Revenue (Match for Medicaid) and 60 percent Federal (Medicaid) Funds.

Local Government Impact

Costs to local governmental entities to implement the bill vary greatly. No significant fiscal implication to units of local government is anticipated to participate in the advisory committee required by the bill. However, costs to local government to implement the required health benefits coverage could be significant. Larger cities and counties with well-established medical services experience would be able to better and more quickly implement the provisions of the bill with fewer costs, while smaller cities and counties would incur more costs to research, implement, and maintain coverage for their citizens.

Travis County (population 812,280) reported that the Health and Human Services Commission estimates that, through providing the required health benefits coverage described in the bill, Travis County could use the budget of an existing program to obtain over $900,000 in additional Medicaid revenue cumulatively over a five-year period.

The Dallas County Hospital District (district population 2.2 million; district budget $821 million) reported that implementation of the bill could significantly increase revenues to the district. However, the amount of revenue is difficult to estimate. Patients who would qualify for the required health benefits coverage are currently funded through local ad valorem tax dollars if they qualify for charity

care. Those tax dollars would be returned to the county for other expenses if the costs of their medical care was provided by another program.

Grayson County (population 110,000, annual budget $21 million) and Uvalde County (population 688,039; annual budget $238 million) reported that the bill could result in significant costs to their counties in the form of larger personnel costs to hire more employees with the specialized skills needed to create and maintain the program. Grayson County estimated the costs to implement the bill in the county would be $100,000 per year for personnel, offices, and supplies.

The El Paso County Hospital District (district population 688,039; district budget $238 million) reported that there would be substantial costs associated with an extensive review of what hospital revenues could be made available; labor and overhead costs of establishing infrastructure to manage the program; costs of assessing the adults that would be covered, the federal poverty level at which they would be covered, the variety of services, etc; and the costs of preparing and implementing the required health benefits coverage and potentially covering thousands of uninsured. All of these factors could potentially be fiscally significant to the county.

For Harris County (population 3.47 million; annual budget $970 million), the bill would add services while reducing the burden on local taxes in the county. More Medicaid-eligible services might be made available due to savings to the county hospital district. Much of that determination depends on how many eligible participants participate in the various health benefits coverage programs offered by the bill.

Source Agencies: 454 Department of Insurance, 529 Health and Human Services Commission

LBB Staff: JK, JO, EB, KF, PP, KG