

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 17, 2003**

**TO:** Honorable Dianne White Delisi, Chair, House Committee on State Health Care Expenditures, Select

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB3122** by Truitt (Relating to the establishment of locally based demonstration projects to provide health care benefits to certain low-income individuals. ), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3122, Committee Report 1st House, Substituted: an impact of \$0 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	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain from <i>FEDERAL FUNDS</i> 555	Probable (Cost) from <i>FEDERAL FUNDS</i> 555	Probable Revenue Gain from <i>All Affected Local Units of Government (Cost- sharing)</i>	Probable (Cost) from <i>All Affected Local Units of Government (CHIP Match)</i>
2004	(\$68,847,027)	(\$68,847,027)	\$17,357,903	(\$3,717,193)
2005	(\$845,821,893)	(\$845,821,893)	\$69,431,612	(\$64,260,159)
2006	(\$1,014,555,306)	(\$1,014,555,306)	\$83,317,934	(\$76,286,352)
2007	(\$118,352,276)	(\$1,183,522,764)	\$97,204,256	(\$88,988,098)
2008	(\$1,352,490,221)	(\$1,352,490,221)	\$111,090,579	(\$101,689,845)

Fiscal Year	Probable (Cost) from <i>All Affected Local Units of Government (Medicaid Match)</i>
2004	\$41,092,323
2005	\$447,014,502
2006	(\$534,918,478)
2007	(\$623,979,652)
2008	(\$713,040,826)

## **Fiscal Analysis**

The bill would require the Health and Human Services Commission (HHSC) to create two demonstration projects. (1) Parents of children who are enrolled in the Medicaid program and (2) parents of children who are enrolled in Medicaid or the Children's Health Insurance Program (CHIP) would be eligible for the demonstration projects. Enrollees in the demonstration project would receive a benefit package similar to Medicaid; however, the benefit package need not include the identical benefits. The enrollees would be responsible for cost-sharing. Local governments, hospital districts, hospital authorities, medical schools operated by the state, and other entities would be responsible for state match. An entity may certify the funds as match. The bill would require the commissioner of HHSC to create the Task Force on Local Health Care Initiatives to assist HHSC in developing the projects. HHSC must submit a report to the legislature. Effective September 1, 2003.

## **Methodology**

It is assumed that a federal waiver would be granted and the projects would be implemented by March 1, 2004. It is assumed that the cost of the premium would be similar to that of a Temporary Assistance to Needy Families (TANF) adult (\$185.45 per member per month). It is assumed that the premium costs do not include drugs, medical transportation, or long term care.

The following assumptions are made about potential eligibles: 357,213 parents of Medicaid children who are less than 6 years old and up to 133 percent federal poverty level (FPL), 645,391 parents of Medicaid children aged 6 -18 years and up to 100 percent FPL, and 250,000 parents of CHIP enrollees. It is assumed that adult immigrants would not be eligible for the pilot since federal Medicaid match is not currently available.

The following participation rates are assumed: 25 percent in fiscal year 2004, 50 percent in fiscal year 2005, 60 percent in fiscal year 2006, 70 percent in fiscal year 2007, and 80 percent in fiscal year 2008. It is assumed that the participants would pay a monthly premium. It is assumed that the expenditures related to the CHIP parents would be qualify for enhanced match. Federal Medical Assistance Percentage (FMAP) for client services is assumed to be 60.2 percent in fiscal year 2004, 60.56 percent in fiscal year 2005, 60.59 percent in fiscal years 2006-2008, FMAP for administration is 50 percent.

Administrative costs include a \$2.15 monthly processing fee per member, a \$21 monthly enrollment fee per member, and an \$11 application fee per new member.

These costs may be offset to an extent if a premium assistance program is developed that would allow a participant to receive a subsidy for private health insurance.

It is assumed that local entities would certify match for premium and administrative costs.

## **Local Government Impact**

The anticipated fiscal impact to local government is included in the above analysis and methodology.

**Source Agencies:** 324 Department of Human Services, 454 Department of Insurance, 529 Health and Human Services Commission, 720 The University of Texas System Administration

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