

**LEGISLATIVE BUDGET BOARD**  
Austin, Texas

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

**April 24, 2003**

**TO:** Honorable Jaime Capelo, Chair, House Committee on Public Health

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

**IN RE: HB3342** by Wohlgemuth (Relating to the continuous eligibility of certain children for medical assistance benefits.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3342, As Introduced: a positive impact of \$275,054,754 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	\$99,661,276
2005	\$175,393,478
2006	\$181,831,534
2007	\$188,543,110
2008	\$195,472,595

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

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable (Cost) from <i>GR MATCH FOR MEDICAID</i> 758	Probable (Cost) from <i>TOBACCO RECEIPTS MATCH FOR CHIP</i> 8025	Probable (Cost) from <i>FEDERAL FUNDS</i> 555
2004	(\$17,868,785)	(\$5,399,423)	(\$1,284,396)	(\$21,671,173)
2005	(\$15,736,945)	(\$4,822,221)	(\$1,421,324)	(\$20,039,801)
2006	(\$16,377,852)	(\$5,018,633)	(\$1,499,630)	(\$20,908,914)
2007	(\$17,035,492)	(\$5,220,166)	(\$1,582,753)	(\$21,807,880)
2008	(\$17,712,430)	(\$5,427,608)	(\$1,737,691)	(\$22,912,933)

Fiscal Year	Probable Savings from <i>GR MATCH FOR MEDICAID</i> 758	Probable Savings from <i>FEDERAL FUNDS</i> 555	Change in Number of State Employees from FY 2003
2004	\$124,213,880	\$188,007,310	762.0
2005	\$197,373,968	\$298,969,167	773.0
2006	\$204,727,649	\$310,108,604	802.0
2007	\$212,381,521	\$321,702,851	834.0
2008	\$220,350,324	\$333,774,248	867.0

Given the limited availability of Temporary Assistance to Needy Families (TANF) federal funds, for the purposes of this fiscal note, General Revenue is assumed as the Method of Financing. Should additional TANF federal funding be available, \$4,921,920 in fiscal year 2004 and \$4,201,536 in fiscal year 2005 in General Revenue costs assumed above could be financed with TANF federal funding.

## **Fiscal Analysis**

The bill would amend Sections 32.026(e) and 32.0261 of the Human Resources Code. Section 32.026 (e) would permit the Department of Human Services (DHS) to conduct a recertification review to determine Medicaid eligibility for a child under age 19 by a person-to-person telephone interview or through a combination of a telephone interview and mail correspondence instead of through a personal appearance at a department office.

Section 32.0261 would provide continuous eligibility for a child under 19 at initial determination of Medicaid eligibility for 90 days after the date eligibility was initially determined, or the child's 19th birthday, whichever is earlier. After the initial 90 day period, the child's eligibility must be recertified by the department on a monthly basis in accordance with department rules.

The bill would repeal the following:

Section 32.025(3) Human Resources Code, which permits the DHS to conduct an application for Medicaid for a child under 19 by mail instead of through a personal appearance at a department office. Sections 8, 10(b) and 10(c), Chapter 584, Acts of the 77th Legislature, Regular Session, 2001: 8 - providing for a 6 month period of continuous eligibility; 10(b) - allowing a 12 month period of continuous eligibility, but not before rules are adopted and effective; and 10(c) - rules for 12 month continuous eligibility may not take effect before September 1, 2002, or later than June 1, 2003.

The bill would take effect immediately if it receives a vote of two-thirds of all members in each house, if not the bill would take effect September 1, 2003.

## **Methodology**

The Department of Human Services (DHS) estimated their cost to be \$46,223,777 in All Funds, \$19,630,684 General Revenue, in fiscal year 2004 and \$42,020,291 in All Funds, \$17,778,954 in General Revenue, in fiscal year 2005. The DHS estimates included an additional 762 FTEs in fiscal year 2004 increasing to 867 in fiscal year 2008 to handle the additional case reviews, an expected increase in applications and caseload growth.

DHS assumed that cases would be reviewed monthly. Cases denied for not returning information for the case review were assumed to request Medicaid at a later date, increasing the number of applications being processed. DHS estimated increases in postage of approximately \$5.6 million in All Funds in fiscal year 2004 to \$6.3 million in All Funds in fiscal year 2008, to handle information exchanges for the monthly review of cases and additional applications requested.

The Health and Human Services Commission (HHSC) estimated that implementation of the bill would result in a reduction in the number of recipients receiving Medicaid benefits – a reduction in average monthly recipient months of 164,345 in fiscal year 2004 and 243,160 in fiscal year 2005. HHSC estimated the savings in fiscal year 2004 to be \$278,696,248 in All Funds, \$110,921,107 General Revenue, and \$445,162,896 All Funds \$177,085,800 in General Revenue in fiscal year 2005. The savings included in the HHSC estimate was based upon current policy of allowing 12 months continuous eligibility, which would be effective in fiscal year 2003.

HHSC stated that there would be an increased cost to the Children's Health Insurance Program (CHIP) of \$4,610,179 in All Funds, \$1,284,396 in General Revenue, in fiscal year 2004 and \$5,103,497 in All Funds, \$1,421,324 in General Revenue, in fiscal year 2005, with increased CHIP recipients of 3,351 in fiscal year 2004 and 3,471 in fiscal year 2005.

The Texas Department of Health (TDH) assumed that changes to the eligibility process would decrease the number of eligible recipients and therefore decrease the services provided by THSteps Medical, Dental and Medical Transportation. TDH estimated savings for fiscal year 2004 to be

\$33,524,942 in All Funds, \$13,292,773 in General Revenue, and \$51,180,239 in All Funds, \$20,288,168 in General Revenue for fiscal year 2005.

**Local Government Impact**

Increased costs could be incurred by local government entities from clients who would not be Medicaid eligible but would seek medical attention.

**Source Agencies:** 324 Department of Human Services, 529 Health and Human Services Commission

**LBB Staff:** JK, JO, EB, KF, ML