

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 26, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB427 by Lindsay (Relating to authorizing the state to contract with certain local governmental entities to provide Medicaid eligibility determination services.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB427, : a negative impact of (\$1,335,136) through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$974,418)
2005	(\$360,718)
2006	(\$360,718)
2007	(\$360,718)
2008	(\$360,718)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GR MATCH FOR MEDICAID 758</i>	Probable (Cost) from <i>FEDERAL FUNDS 555</i>	Change in Number of State Employees from FY 2003
2004	(\$974,418)	(\$974,419)	12.0
2005	(\$360,718)	(\$360,719)	12.0
2006	(\$360,718)	(\$360,719)	12.0
2007	(\$360,718)	(\$360,719)	12.0
2008	(\$360,718)	(\$360,719)	12.0

Fiscal Analysis

The bill would allow the Department of Human Services (DHS) to contract for the provision of medical assistance (Medicaid) eligibility determination services with certain entities, to the extent allowed by federal law. The bill (Sec. 32.0252 (f)) would require the Health and Human Services Commission (HHSC) to ensure that there are adequate protections to avoid a conflict of interest for an entity that has a contract for eligibility determination services and also has a contract, either directly or indirectly, as a managed care organization for Medicaid or the Children's Health Insurance Program (CHIP).

Methodology

Cost estimates are derived from Department of Human Services (DHS) and Health and Human Services Commission (HHSC) responses.

DHS

1. It is assumed that DHS would modify existing eligibility systems and eligibility systems under development to allow the department to connect with contracted entities. The estimated cost of one-time programming changes for fiscal year 2004 is \$1,168,387. The estimated maintenance cost for each subsequent fiscal year is \$2,787. Expenses would be evenly funded with General Revenue (Match for Medicaid) and Federal (Medicaid) Funds.
2. It is assumed that savings realized through reduced workload to DHS FTEs would be offset by payments to contracted eligibility workers. Therefore, no net savings are assumed regarding the eligibility process.

HHSC

1. It is assumed that HHSC would hire additional FTEs to protect against conflicts of interest (Sec. 32.0252 (f)). Specific assumptions follow: HHSC would hire one manager (annual salary of \$49,740) and 11 regional program specialists (annual salary of 41,304 per worker). Employee benefits would total \$143,462 per year. Travel expenses would total \$28,800 per year. Related operating expenses would total \$42,304 per year. A one-time equipment expense would total \$61,800 in fiscal year 2004. Expenses would be evenly funded with General Revenue (Match for Medicaid) and Federal (Medicaid) Funds.
2. It is assumed that outsourcing or partially outsourcing Medicaid eligibility determination would not affect the number of persons determined to be eligible for Medicaid. Therefore, no costs or savings are assumed regarding clients services delivered through any Medicaid operating agency.

Technology

DHS estimates that several eligibility-related systems, including SAVERR, GWS, and TIERS would need to be modified. Estimated costs are noted above.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. Certain local entities could contract to provide Medicaid eligibility determination services.

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

LBB Staff: JK, JO, EB, PP