

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 22, 2003

TO: Honorable Talmadge Heflin, Chair, House Committee on Appropriations

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1522 by Zaffirini (Relating to the continuous eligibility of certain children for medical assistance benefits.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1522, As Engrossed: a positive impact of \$394,391,798 through the biennium ending August 31, 2005.

Estimated savings should be compared to funding levels sufficient to conform to current policies and law. Savings should not be compared to agency Initial General Revenue/Building Block requests.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2004 | \$156,762,315 |
| 2005 | \$237,629,483 |
| 2006 | \$70,865,855 |
| 2007 | \$83,636,010 |
| 2008 | \$98,561,184 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings from <i>GR MATCH FOR MEDICAID</i> 758 | Probable (Cost) from <i>GR MATCH FOR MEDICAID</i> 758 | Probable Savings from <i>FEDERAL FUNDS</i> 555 | Probable (Cost) from <i>FEDERAL FUNDS</i> 555 |
|-------------|--|---|--|---|
| 2004 | \$161,887,860 | (\$5,125,545) | \$244,865,557 | (\$5,125,545) |
| 2005 | \$242,207,810 | (\$4,578,327) | \$366,660,491 | (\$4,578,327) |
| 2006 | \$75,677,645 | (\$4,811,790) | \$114,562,791 | (\$4,811,790) |
| 2007 | \$88,574,629 | (\$4,938,619) | \$134,086,581 | (\$4,938,619) |
| 2008 | \$103,717,252 | (\$5,156,068) | \$157,009,877 | (\$5,156,068) |

| Fiscal Year | Change in Number of State Employees from FY 2003 |
|-------------|--|
| 2004 | 190.0 |
| 2005 | 196.0 |
| 2006 | 206.0 |
| 2007 | 213.0 |
| 2008 | 223.0 |

Fiscal Analysis

Section 1 of the bill would delay implementation of 12 month continuous eligibility until no later than

June 1, 2005 for certain children enrolled in Medicaid. Current law requires implementation by June 1, 2003. It is estimated that this section would result in reduced expenditures for client services and thus produce a savings.

Section 3 would allow the Department of Human Services (DHS) to use information obtained from a third party to verify the assets and resources of a person for purposes of determining the person's Medicaid eligibility. It is estimated that this section would result in a net savings. Reduced client services expenditures at the Health and Human Services Commission (HHSC) and the Department of Health (TDH) would be partially offset with increased administrative expenditures at DHS.

Potentially, either provision could indirectly impact enrollment and expenditure levels in the Children's Health Insurance Program (CHIP). However, HHSC is not currently estimating a fiscal impact to CHIP.

Methodology

The following estimate is derived from the responses of HHSC and DHS.

Section 1 (12 month continuous eligibility) is estimated to produce All Funds savings of \$106.7 million in fiscal year 2004 and \$177.5 million in fiscal year 2005. These amounts represent the combined impact to HHSC and TDH client services. The General Revenue share would be approximately 40 percent of the savings.

Section 2 (rigorous assets) is estimated to produce the following All Funds savings: \$55.2 million in fiscal year 2004, \$64.7 million in fiscal year 2005, \$75.7 million in fiscal year 2006, \$88.6 million in fiscal 2007, and \$103.7 million in fiscal year 2008. These amounts represent the combined impact to HHSC and TDH client services. The General Revenue share would be approximately 40 percent of the savings.

Section 2 (rigorous assets) is estimated to result in increased administrative expenditures at DHS, including the following All Funds amounts: \$10.3 million in fiscal year 2004, \$9.2 million in fiscal year 2005, \$9.6 million in fiscal year 2006, \$9.9 million in fiscal year 2007, and \$10.3 million in fiscal year 2008. The General Revenue share would be approximately 50 percent of the increased expenditures. Expenditures include salaries and related expenses for an additional 190 full-time-equivalents (FTEs) in fiscal year 2004, increasing to 223 FTEs in fiscal year 2008. Expenditures also include \$1.2 million in All Funds per year for "data broker" services, and a one-time expense (occurring in fiscal year 2004) of approximately \$65,000 in All Funds for information technology modifications.

Technology

The bill would necessitate modifications to information technology systems in use as well as under development. The bill would also authorize the use of "data broker" services provided by a third party for use in determining Medicaid eligibility.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

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

LBB Staff: JK, JO, SD, PP