

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 21, 2005

TO: Honorable Dianne White Delisi, Chair, House Committee on Public Health

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB790 by Crownover (Relating to the conduct of newborn screening by the Department of State Health Services.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB790, Committee Report 1st House, Substituted: a negative impact of (\$5,399,411) through the biennium ending August 31, 2007.

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
2006	\$0
2007	(\$5,399,411)
2008	(\$1,845,021)
2009	(\$1,845,021)
2010	(\$1,845,021)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>FEDERAL FUNDS</i> 555	Probable Revenue Gain from <i>PUB HEALTH SVC</i> <i>FEE ACCT</i> 524
2006	\$0	\$0	\$0	\$0
2007	(\$6,029,411)	\$630,000	(\$129,458)	\$0
2008	(\$3,105,021)	\$1,260,000	(\$2,204,858)	\$2,725,883
2009	(\$3,105,021)	\$1,260,000	(\$2,204,858)	\$2,725,883
2010	(\$3,105,021)	\$1,260,000	(\$2,204,858)	\$2,725,883

Fiscal Year	Probable (Cost) from <i>PUB HEALTH SVC</i> <i>FEE ACCT</i> 524	Change in Number of State Employees from FY 2005
2006	\$0	0.0
2007	\$0	17.0
2008	(\$2,725,883)	17.0
2009	(\$2,725,883)	17.0
2010	(\$2,725,883)	17.0

Fiscal Analysis

The bill would require the Department of State Health Services (DSHS) to conduct a study to determine the most cost-effective method of conducting newborn screening. DSHS is to obtain proposals regarding newborn screening and to determine if it is more cost effective to contract for screening services. If DSHS determines it is cost-effective, the department is to obtain the use of equipment, including tandem mass spectrometers, and hire employees necessary to administer the chapter. If outsourcing is determined to be more cost-effective, the department is to contract for these services.

Section 3 would require DSHS to require newborn screening tests to screen for disorders detectable by a tandem mass spectrometer and listed in the core uniform panel of newborn screening conditions recommended in the 2005 report by the American College of Medical Genetics entitled "Newborn Screening: Toward a Uniform Screening Panel and System" or another report determined by the agency to provide more appropriate newborn screening guidelines.

Section 7 requires the agency to implement the expanded newborn screening program not later than November 1, 2006. Upon enactment, the bill would take effect September 1, 2005.

Methodology

It is assumed that DSHS would be able to conduct the cost-effectiveness study in fiscal year 2006 using existing resources. It is assumed that expanded screening would be conducted by DSHS beginning in fiscal year 2007.

It is assumed that there would be an expansion of newborn screening to include 19 additional disorders using tandem mass spectrometry. It is assumed that the agency could obtain tandem mass spectrometers, reagents, and software to operate the system to detect the 19 new disorders for approximately \$8.50 per test. It is assumed that the tandem mass spectrometers would be leased.

It is assumed that the agency would need 17 new FTEs: 7 new laboratory FTEs and 10 new case management FTEs, some of whom will be supported at the Health and Human Services Commission (HHSC) with Medicaid funds. Salary costs would be \$486,405 in 2007 and \$648,540 in subsequent years. Benefits costs are \$144,656 in 2007 and \$192,876 in subsequent years. Travel costs for in-state and out-of-state training are \$13,800 per year. Phone, furniture, supplies, and hepatitis immunizations for laboratory staff total \$69,352 in 2007 and \$20,545 in subsequent years.

Case management staff IT equipment costs total \$9,030 in 2007 and \$6,500 in subsequent years.

It is assumed that DSHS will contract with a metabolic disease consultant with experience in tandem mass spectrometer detectable disorders. Contract costs are \$18,000 in 2007 and \$24,000 in subsequent years.

New and updated outreach materials total \$90,000 per year for 500,000 brochures per year.

It is assumed that there will be additional utilities costs associated with operating the spectrometers of \$20,250 in 2007 and \$27,000 in subsequent years.

There will be a one-time cost of \$48,000 in 2007 to install exhaust systems for the spectrometers.

It is assumed that 750,000 screens will be conducted each year, with an additional 75,000 screens conducted for validation purposes. It is estimated that 50 percent of these screens will be covered by Medicaid, 37 percent will be private pay, and the remaining 13 percent will be uninsured and therefore paid for by DSHS. The Medicaid rate will increase by \$8.26 per screen, and the private pay rate will increase by \$8.93 per screen. It is assumed that revenue collection will begin in 2008. These rates will result in Medicaid costs at HHSC of \$1,347,567 GR and \$2,059,682 Federal Funds in 2008 and \$1,347,567 GR and \$2,059,683 Federal Funds in subsequent years. Revenue from private pay sources will total \$2,725,883 in each year beginning in 2008. The remaining costs for tests will be paid by DSHS and total \$5,259,375 in 2007 (cost for all tests done in first year for validation and testing

purposes), and \$879,368 in subsequent years.

It is estimated that there will be GR savings of \$630,000 in 2007 and \$1,260,000 in subsequent years due to savings from shifting the current testing methodology for PKU to tandem mass spectrometry as reagents for the current testing methodology would no longer be purchased.

Technology

Personal computers will be required for 10 case management program staff. Costs total \$9,030 in 2007 and \$6,500 in each subsequent year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission, 537 Department of State Health Services

LBB Staff: JOB, PP, CL, KF, LW, RM