

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 20, 2005

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

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

IN RE: HB2479 by Delisi (Relating to health and human services in this state.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2479, As Introduced: a positive impact of \$205,150,754 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	\$88,832,836
2007	\$116,317,918
2008	(\$33,468,084)
2009	(\$33,686,805)
2010	(\$37,288,688)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Savings from <i>FEDERAL FUNDS</i> 555	Probable (Cost) from <i>FEDERAL FUNDS</i> 555
2006	\$135,154,899	(\$46,322,063)	\$209,231,718	(\$68,964,881)
2007	\$224,504,990	(\$108,187,072)	\$343,762,865	(\$133,678,471)
2008	\$85,525,987	(\$118,994,071)	\$129,276,664	(\$146,395,055)
2009	\$94,452,847	(\$128,139,652)	\$142,886,161	(\$156,637,695)
2010	\$9,470,333	(\$46,759,021)	\$14,474,883	(\$69,573,892)

Fiscal Year	Probable (Cost) from <i>APPROPRIATED</i> <i>RECEIPTS</i> 666	Probable Revenue Gain from <i>APPROPRIATED</i> <i>RECEIPTS</i> 666	Change in Number of State Employees from FY 2005
2006	(\$3,940,046)	\$3,940,046	12.3
2007	(\$9,850,116)	\$9,850,116	13.2
2008	(\$9,850,116)	\$9,850,116	13.2
2009	(\$9,850,116)	\$9,850,116	13.2
2010	(\$9,850,116)	\$9,850,116	13.2

Fiscal Analysis

Section 1 establishes the Renewing Our Communities Fund as a trust fund held outside of the state treasury, administered by the governor as trustee. Grants would be awarded from the fund to increase the capacity of and strengthen community organizations to provide social services, and to provide local governmental entities with seed money to establish local offices for community initiatives.

Section 2 requires the Health and Human Services Commission (HHSC) to establish an Office of Medical Technology to explore and evaluate new developments in technology (including tele-medicine services, tele-health services, and remote medical technology) and propose implementation in Medicaid, CHIP, and other health services programs administered by HHSC.

Section 3 requires HHSC to adopt Medicaid reimbursement rates for the following: (a) certain intensive nursing services, if those services are provided as an alternative to hospitalization; and (b) group appointments for prenatal classes and services for certain diseases and conditions specified by rule.

Section 4 requires HHSC to determine whether a Medicaid medical information telephone hotline pilot program intended to prevent unnecessary emergency room visits is likely to result in net cost savings and, if so, to establish such a pilot program.

Section 5 requires that Medicaid reimbursement be provided for a medical consultation provided by a physician using the Internet as an alternative to an in-person consultation.

Section 6 requires HHSC to develop and implement a Medicaid buy-in program for persons with disabilities.

Section 7 allows the preferred drugs lists in the Medicaid Vendor Drug Program to include drugs with the same clinical efficacy as, but a lower overall cost than, drugs included on the lists because the manufacturer or labeler reaches a supplemental rebate agreement with HHSC.

Section 8 requires HHSC to develop and implement a comprehensive plan to reduce the use of hospital emergency room services by persons without medical homes.

Section 9 requires HHSC to develop and implement a performance bonus pilot program for providing higher reimbursement rates to health care providers under Medicaid and other state health programs who treat recipients with chronic health conditions in accordance with evidence-based, nationally accepted best practices and standards of care.

Section 10 requires HHSC to adopt rules under which the balance of a health savings account belonging to an applicant, or someone in the household, is excluded and any amounts deducted from the applicant's, or household member's, income on a recurring basis are excluded for purposes of determining whether the applicant meets income and resource eligibility requirements for means-tested medical benefits programs.

Section 11 requires HHSC to conduct and evaluate a pilot project to determine the cost savings, health benefits, and effectiveness of providing medical assistance through an integrated care management (ICM) model to certain specified recipients. This section also requires HHSC to contract for technological support and care coordination. This section also establishes a statewide advisory committee and regional advisory committees of health care providers, or their representatives, to assist in the development of the ICM model.

Section 12 relates to the provision of human services through faith-based and community-based initiatives. The section requires a number of state agencies to designate liaisons for faith- and community-based initiatives. It would require centers for faith- and community-based initiatives to be established within HHSC, the Office of Rural Community Affairs, and the Texas Workforce Commission (TWC).

Section 13 requires the Department of Information Resources to establish a grants assistance project,

through development of an Internet website accessible through TexasOnline that would provide a single location for state agencies to post state grant assistance opportunities and, when feasible, would allow electronic submission of state grant assistance applications.

Section 14 extends the date upon which six months continuous eligibility for the state Children's Health Insurance Program (CHIP) would expire and 12 months continuous eligibility would be re-established. Under this section, six months continuous eligibility would be continued until September 1, 2007. The section also extends the date by which 12 months continuous eligibility for children must be established in the Medicaid program. Under this section six months continuous eligibility may be continued until September 1, 2007.

Section 15 requires HHSC to provide for continuous eligibility in CHIP and Medicaid for children with certain chronic conditions until the earlier of the first anniversary of the date on which the child's eligibility was determined or the child's 19th birthday. Additionally, the section requires HHSC to provide for continuous eligibility in Medicaid for adults with certain chronic conditions until the first anniversary of the date on which the adult's eligibility was determined.

Section 16 authorizes HHSC to waive the required waiting period for coverage under CHIP if the child's eligibility for the program results from financial hardship caused by the death or disability of the child's parent or guardian that occurred within a year of the date of the application for coverage.

Section 17 creates the Governor's Health Care Coordinating Council. The section further abolishes the Interagency Council on Pharmaceuticals Bulk Purchasing and transfers its powers, duties, obligations, rights, contracts, appropriations, records, and property to the Governor's Health Care Coordinating Council.

Section 18 requires TWC to establish a comprehensive, searchable Internet database of opportunities throughout the state for volunteers to provide assistance to state public assistance program clients.

Section 19 requires the executive commissioner of HHSC, in coordination with the Board of Pharmacy, to operate a pilot program allowing for the return of certain unused drugs that are not sealed in the manufacturer's original packaging. Establishment of the pilot program is contingent upon passage of federal legislation authorizing such return and redistribution.

Section 20 requires HHSC, in consultation with the Texas Department of Insurance, to conduct a study to identify insurance reforms that would lower the cost of group health benefits plans to small employers in a manner that will increase the availability of plans for which the state can provide premium payment assistance as an alternative to enrolling a child in CHIP.

Section 21 requires HHSC to explore its authority under federal law to offer, and the cost and feasibility of providing certain specified incentives to encourage persons to purchase health or long-term care insurance. The section further requires HHSC to consider whether other incentives are feasible. If any of the incentives are deemed feasible and cost effective, the section requires HHSC to make efforts to implement those options to the extent they are authorized by federal law, request any necessary federal waivers, and report any needed legislative changes to the Eightieth Legislature.

Section 22 requires the Department of State Health Services to develop a strategic plan to eliminate mortality from cervical cancer by the year 2015.

Section 23 requires the Executive Commissioner of HHSC to appoint an advisory committee on health care information technology and requires the advisory committee to develop a long-range plan for health care information technology.

Methodology

Section 3. HHSC indicates the total cost for group appointments would be \$25,000 per year and for intensive nursing services would be \$60.6 million (\$23.8 million General Revenue) in 2006 and \$63.7 million (\$25.2 million General Revenue) in 2007.

Section 4. The net impact of the Medicaid hotline pilot program is estimated to be a savings of \$0.7 million in 2006 and \$0.9 million in 2007 in Federal Funds.

Section 5. HHSC estimates online medical consultations would cost \$1.2 million per year (\$0.5 million General Revenue). This assumes 10,000 patients per year at a cost of \$29.52 and 4 consults per year per person. These consults are not assumed as replacements for in-person visits.

Section 6. The Medicaid buy-in for working people with disabilities is estimated to cost \$10.6 million (\$4.2 million General Revenue) in 2006 and \$21.1 million (\$8.3 million General Revenue) in 2007.

Section 7. HHSC estimates the changes proposed to the Preferred Drug List would result in a market shift cost and loss of supplemental rebate revenue of \$9.7 million (\$3.8 million General Revenue) in 2006 and and \$9.6 million (\$3.8 million General Revenue) in 2007.

Section 8. The hospital emergency room reduction initiatives would save \$8.3 million (including \$3.1 million in General Revenue) for the biennium.

Section 9. HHSC estimates the performance bonus pilot program would cost \$3.1 million in 2006 only, including \$1.2 million in General Revenue.

Section 10. The exclusion of Health Savings Accounts from certain eligibility determinations is estimated to cost \$55,200 for the biennium, including \$27,600 in General Revenue, for information technology system changes. The agency states that the number of Medicaid recipients possessing an account would be very small and that they would not impact program eligibility. There may be an impact due to excluding income deducted on a recurring basis; however, the possible increase to caseloads is not estimated.

Section 11. The estimate of savings for implementing an Integrated Care Management pilot program in Medicaid is \$46.8 million, including \$6.8 million in General Revenue for the biennium.

Section 12. The Office of Rural Community Affairs (ORCA) estimates a cost of \$0.3 million in 2006 and \$0.3 million in 2007 for creation of a center for faith- and community-based initiatives. ORCA would require 3.0 FTEs each year.

Section 14. The estimate of savings related to maintaining 6-month continuous eligibility in Medicaid is \$605.1 million, including \$238.6 million General Revenue for the biennium. The estimated savings for continuing six months continuous eligibility in CHIP is \$73.2 million in All Funds, including \$28.0 million General Revenue for the biennium. Note: These savings are currently reflected in both the Senate and House version of the General Appropriations Act.

Section 15. HHSC would pursue a demonstration project or waiver to provide continuous eligibility for children with certain chronic health conditions. The systems cost to implement this eligibility change is estimated to be \$0.6 million, including \$0.1 million in General Revenue, in fiscal year 2006 only.

Section 16. The waiver of the waiting period in CHIP for certain applicants is not estimated to have an impact on services, but would require HHSC system changes at a cost of \$0.2 million in All Funds in fiscal year 2006 only.

Section 18. The Texas Workforce Commission would require \$1.2 million, including \$1.0 million in General Revenue for the biennium in order to establish a comprehensive, searchable Internet database of volunteer opportunities in the state.

Additional Cost. HHSC estimates a biennial cost of \$3.9 million, including \$1.9 million General Revenue, for general staff and information technology expenses to fulfill the requirements of the bill. A total of 9.0 FTEs would be required.

Technology

The bill would require adjustments to information technology. Related fiscal impacts are detailed under the methodology section above.

Local Government Impact

The fiscal impact to local governmental entities and locally–owned and –operated hospitals will depend upon the structure of the models, programs, and initiatives designed and implemented by the executive commissioner of HHSC. It is assumed that local governmental entities and locally–owned and –operated hospitals will participate in these initiatives only if funds are available and it is financially feasible for the entity to develop and/or implement a program.

Source Agencies: 301 Office of the Governor, 304 Comptroller of Public Accounts, 313 Department of Information Resources, 320 Texas Workforce Commission, 332 Department of Housing and Community Affairs, 357 Office of Rural Community Affairs, 403 Veterans Commission, 454 Department of Insurance, 503 Board of Medical Examiners, 527 Cancer Council, 529 Health and Human Services Commission, 537 Department of State Health Services, 665 Juvenile Probation Commission, 694 Youth Commission, 696 Department of Criminal Justice, 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

LBB Staff: JOB, CL, PP, LR, MB, RC, KJG