

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

February 28, 2007

TO: Honorable Patrick M. Rose, Chair, House Committee on Human Services

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

IN RE: HB725 by Hopson (Relating to eligibility for and the administration of the child health plan program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB725, As Introduced: a negative impact of (\$26,969,588) through the biennium ending August 31, 2009.

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
2008	(\$3,492,470)
2009	(\$23,477,118)
2010	(\$23,477,118)
2011	(\$23,477,118)
2012	(\$23,477,118)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable (Cost) from <i>PREMIUM CO- PAYMENTS</i> 3643	Probable (Cost) from <i>EXPERIENCE REBATES-CHIP</i> 8054	Probable (Cost) from <i>VENDOR DRUG REBATES-CHIP</i> 8070
2008	(\$3,492,470)	(\$1,215,995)	(\$113,041)	(\$143,678)
2009	(\$23,477,118)	(\$2,197,180)	(\$302,700)	(\$384,769)
2010	(\$23,477,118)	(\$2,197,180)	(\$302,700)	(\$384,769)
2011	(\$23,477,118)	(\$2,197,180)	(\$302,700)	(\$384,769)
2012	(\$23,477,118)	(\$2,197,180)	(\$302,700)	(\$384,769)

Fiscal Year	Probable (Cost) from <i>FEDERAL FUNDS</i> 555	Probable Savings from <i>VENDOR DRUG REBATES-MEDICAID</i> 706	Probable Revenue Gain from <i>PREMIUM CO- PAYMENTS</i> 3643	Probable Revenue Gain from <i>EXPERIENCE REBATES-CHIP</i> 8054
2008	(\$11,252,594)	\$293,039	\$1,215,995	\$113,041
2009	(\$48,538,750)	\$9,747	\$2,197,180	\$302,700
2010	(\$48,538,750)	\$9,747	\$2,197,180	\$302,700
2011	(\$48,538,750)	\$9,747	\$2,197,180	\$302,700
2012	(\$48,538,750)	\$9,747	\$2,197,180	\$302,700

Fiscal Year	Probable Revenue Gain from VENDOR DRUG REBATES-CHIP 8070	Probable Revenue (Loss) from VENDOR DRUG REBATES-MEDICAID 706
2008	\$143,678	(\$293,039)
2009	\$384,769	(\$9,747)
2010	\$384,769	(\$9,747)
2011	\$384,769	(\$9,747)
2012	\$384,769	(\$9,747)

Fiscal Analysis

The bill would establish a period of continuous eligibility for the Children's Health Insurance Program (CHIP) not to exceed 12 months.

It is assumed that beginning September 1, 2007 a period of 12 months continuous eligibility would replace the current six months of eligibility for all children enrolling or renewing on or after that date. It is assumed that children enrolled in the program prior to September 1, 2007 would receive six months of continuous eligibility until their next renewal. If the bill were implemented such that 12 months continuous eligibility would apply to all clients on September 1, 2007, including those already enrolled in the program, the cost of implementation would be higher.

Methodology

Establishing 12 months continuous eligibility would result in an additional 19,236 average monthly recipient months in fiscal year 2008 and 50,852 in fiscal year 2009 and subsequent years. Allocation between General Revenue-funded CHIP programs (School Employee Children and Legal Immigrants) and the federally matched program is assumed to be the same as under six months continuous eligibility. There would be no impact to the CHIP Perinatal program as clients enrolled in that program already receive 12 months of eligibility. There would be a reduction to caseloads in children's Medicaid as children transferring from CHIP to Medicaid at renewal would be less frequent as the number of renewals decline; reductions are assumed to be 6,205 average monthly recipient months in fiscal year 2008 and 202 in following years.

The additional CHIP caseload would result in higher Premium Co-payment (enrollment fee) collections, estimated to be an additional \$1.2 million in fiscal year 2008 and \$2.2 million in fiscal year 2009 and subsequent years. It is assumed that the higher caseload would also result in additional collection of Experience Rebates, estimated to be an additional \$0.1 million in fiscal year 2008 and \$0.3 million in fiscal year 2009 and beyond. Higher caseload would also impact Vendor Drug Rebate collections for CHIP resulting in an additional \$0.1 million in fiscal year 2008 and \$0.4 million in fiscal year 2009 forward. Similarly, there would be a reduction to collections of Vendor Drug Rebates for Medicaid resulting from lower caseloads, estimated to be \$0.3 million in fiscal year 2008 and less than \$0.1 million each following year. Total net revenue gain would be \$1.2 million in fiscal year 2008, \$2.9 million in fiscal year 2009 and beyond.

The average cost per recipient month in CHIP is assumed to be \$121.66 in fiscal year 2008 and \$121.65 in the following years. The additional cost to the program from higher caseloads would be \$28.1 million All Funds in fiscal year 2008 rising to \$74.2 million All Funds in fiscal year 2009 and subsequent years. These amounts include a cost of \$10.1 million in General Revenue Funds in fiscal year 2008 and \$26.2 million in General Revenue Funds in fiscal year 2009 and beyond. These estimated General Revenue Funds amounts include expenditure of the higher Premium Co-payment, Experience Rebate, and Vendor Drug Rebates for CHIP collections.

Savings in the Medicaid program are assumed to be \$159.50 per recipient month in each year. Savings from caseload reductions are estimated to total \$11.9 million All Funds in fiscal year 2008 (including \$5.3 million in General Revenue Funds) and \$0.4 million All Funds in each following year (including \$0.2 million in General Revenue Funds).

There would be a net savings in administrative expenditures of \$0.3 million All Funds in fiscal year 2008 (including \$0.2 million in General Revenue Funds). This includes one-time costs for system changes, technology work, and training and policy updates as well as changes in variable fee payments for enrollment broker services and eligibility determination. In fiscal year 2009 and beyond administrative costs would be an additional \$1.1 million All Funds for enrollment broker services and eligibility determination.

The total net cost of the bill would be \$14.7 million All Funds in fiscal year 2008 and \$72.0 million All Funds in fiscal year 2009 and subsequent years. These amounts include a net impact to General Revenue Funds of \$3.5 million in fiscal year 2008 and \$23.5 million in fiscal year 2009 and beyond. Also included are \$11.3 million in Federal Funds in fiscal year 2008 and \$48.5 million in fiscal year 2009 and beyond. It is assumed that these federal matching funds would be available; however, if the state exhausts its capped federal allotment, General Revenue Funds would be required in lieu of assumed Federal Funds.

Technology

Technology costs included above total \$0.8 million All Funds, including \$0.2 million in General Revenue Funds, in fiscal year 2008 for one-time costs associated with system changes.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JOB, CL, PP, LR