

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: HB816 by Burnam (Relating to the waiting period for benefits for certain applicants for the child health plan program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB816, As Introduced: a negative impact of (\$25,608,001) 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	(\$16,093,050)
2009	(\$9,514,951)
2010	(\$9,514,951)
2011	(\$9,514,951)
2012	(\$9,514,951)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable (Cost) from <i>PREMIUM CO- PAYMENTS 3643</i>	Probable (Cost) from <i>EXPERIENCE REBATES-CHIP 8054</i>	Probable (Cost) from <i>VENDOR DRUG REBATES-CHIP 8070</i>
2008	(\$16,093,050)	(\$845,875)	(\$181,312)	(\$230,451)
2009	(\$9,514,951)	(\$321,160)	(\$101,729)	(\$129,310)
2010	(\$9,514,951)	(\$321,160)	(\$101,729)	(\$129,310)
2011	(\$9,514,951)	(\$321,160)	(\$101,729)	(\$129,310)
2012	(\$9,514,951)	(\$321,160)	(\$101,729)	(\$129,310)

Fiscal Year	Probable (Cost) from <i>VENDOR DRUG REBATES-MEDICAID 706</i>	Probable (Cost) from <i>FEDERAL FUNDS 555</i>	Probable Revenue Gain from <i>PREMIUM CO- PAYMENTS 3643</i>	Probable Revenue Gain from <i>EXPERIENCE REBATES-CHIP 8054</i>
2008	(\$77,603)	(\$32,880,693)	\$845,875	\$181,312
2009	(\$69,279)	(\$18,825,643)	\$321,160	\$101,729
2010	(\$69,279)	(\$18,825,643)	\$321,160	\$101,729
2011	(\$69,279)	(\$18,825,643)	\$321,160	\$101,729
2012	(\$69,279)	(\$18,825,643)	\$321,160	\$101,729

Fiscal Year	Probable Revenue Gain from VENDOR DRUG REBATES-CHIP 8070	Probable Revenue Gain from VENDOR DRUG REBATES- MEDICAID 706
2008	\$230,451	\$77,603
2009	\$129,310	\$69,279
2010	\$129,310	\$69,279
2011	\$129,310	\$69,279
2012	\$129,310	\$69,279

Fiscal Analysis

The bill would revise the requirements for a waiting period in the Children's Health Insurance Program (CHIP). The waiting period would apply only to children who had health insurance during the 90 days prior to applying for CHIP coverage and would extend for 90 days after the last date on which a child was insured under a health benefits plan.

Methodology

It is assumed that 95 percent of children currently subject to a waiting period would now be enrolled in the program immediately; it is assumed the remaining 5 percent were insured in the previous 90 days and would be subject to a waiting period that would begin on the day of application. It is assumed that the new waiting period policy would apply to all children applying for benefits on or after September 1, 2007; it is assumed that children who applied for benefits prior to this date would be subject to the waiting period requirement in place at the time of application.

Eliminating the waiting period for most children would result in an additional 30,854 average monthly recipient months in fiscal year 2008 and 17,090 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 current policy. There would be no impact to the CHIP Perinatal program as clients enrolled in that program are not currently subject to a waiting period. There would be an increase to caseloads in children's Medicaid as children transferring from CHIP to Medicaid at renewal would occur earlier for those children no longer subject to the waiting period; increased caseload is assumed to be 1,643 average monthly recipient months in fiscal year 2008 and 1,435 in following years.

The additional CHIP caseload would result in higher Premium Co-payment (enrollment fee) collections, estimated to be an additional \$0.8 million in fiscal year 2008 and \$0.3 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 \$0.2 million in fiscal year 2008 and \$0.1 million in fiscal year 2009 and beyond. Higher caseloads would also impact Vendor Drug Rebate collections for CHIP and Medicaid resulting in an additional \$0.3 million in fiscal year 2008 and \$0.2 million in fiscal year 2009 forward. Total net revenue gain would be \$1.3 million in fiscal year 2008, \$0.6 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 \$45.0 million All Funds in fiscal year 2008 decreasing to \$24.9 million All Funds in fiscal year 2009 and subsequent years. These amounts include a cost of \$15.4 million in General Revenue Funds in fiscal year 2008 and \$8.5 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.

Additional costs to the Medicaid program are assumed to be \$159.50 per recipient month in each year. Cost of additional caseload is estimated to total \$3.1 million All Funds in fiscal year 2008 (including \$1.4 million in General Revenue Funds) and \$2.7 million All Funds in each following year (including \$1.2 million in General Revenue Funds).

It is estimated that there would be additional administrative costs of \$2.1 million All Funds in fiscal year 2008 (including \$0.6 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 \$1.3 million All Funds for enrollment broker services and eligibility determination.

The total net cost of the bill would be \$49.0 million All Funds in fiscal year 2008 and \$28.3 million All Funds in fiscal year 2009 and subsequent years. These amounts include a net impact to General Revenue Funds of \$16.1 million in fiscal year 2008 and \$9.5 million in fiscal year 2009 and beyond. Also included are \$32.9 million in Federal Funds in fiscal year 2008 and \$18.8 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 \$30,000 All 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