LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 9, 2007

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

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

IN RE: **HB1142** by Turner (Relating to the exclusion of certain costs from income and resources in determining eligibility for Medicaid.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1142, As Introduced: a negative impact of ($56,893,967) 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	($464,781)
2009	($56,429,186)
2010	($61,688,129)
2011	($67,356,652)
2012	($73,522,983)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from *VENDOR DRUG REBATES-MEDICAID* 706	Probable (Cost) from *VENDOR DRUG REBATES-MEDICAID* 706	Probable (Cost) from *GR MATCH FOR MEDICAID* 758	Probable Revenue Gain from *Vendor Drug Rebates-Sup Rebates* 8081
2008	$0	$0	($464,781)	$0
2009	$3,572,648	($3,572,648)	($56,429,186)	$833,233
2010	$4,127,645	($4,127,645)	($61,688,129)	$962,673
2011	$4,822,262	($4,822,262)	($67,356,652)	$1,124,675
2012	$5,635,167	($5,635,167)	($73,522,983)	$1,314,265

Fiscal Year	Probable (Cost) from *Vendor Drug Rebates-Sup Rebates* 8081	Probable (Cost) from *FEDERAL FUNDS* 555
2008	$0	($464,781)
2009	($833,233)	($91,404,841)
2010	($962,673)	($100,334,783)
2011	($1,124,675)	($110,138,826)
2012	($1,314,265)	($120,910,005)

Fiscal Analysis

The bill would add a new requirement to Medicaid eligibility to disregard income related to electric utility payments when determining eligibility.

Section one of the bill would add a new Sec. 32.0252, Human Resources Code, requiring the Health and Human Services Commission (HHSC), to the extent allowed by federal law, to disregard from the monthly income and resources of a Medicaid applicant an amount equal to the average amount charged for electric utility services, billed in the applicant's name and for the applicant's residence, during the three months preceding the date of the application.

Section two of the bill would instruct HHSC to apply the new provision to eligibility determinations made after the effective date of the Act.

Section three of the bill would instruct HHSC to apply for any required federal waiver or approval and authorize HHSC to delay implementing the provisions pending the receipt of required approval.

The bill would take effect on September 1, 2007.

HHSC estimates a cost related to serving an increased number (two percent) of eligible persons in the acute care Medicaid program.

The Department of Aging and Disability Services (DADS) estimates a cost related to serving additional persons in the Community Attendant Services program.

Methodology

Since HHSC would be required to obtain approval from the federal government through a Medicaid State Plan Amendment or waiver to implement provisions of the bill, as well as adopt rules and make eligibility system changes, it is assumed that the caseload impact would not begin until fiscal year 2009. The costs for automation changes are estimated by HHSC to be $929,561 in fiscal year 2008, which can be matched by the federal government at 50 percent.

HHSC assumes that the average utility bill (amount of excluded income) would be $100. Based on this, the agency estimates an increase in recipient months of the following for fiscal years 2009-2012: 60,512; 63,144; 65,902; and 68,796. The cost per recipient month is estimated to be $209.44 in fiscal year 2009, with a 5% growth trend applied in subsequent years. Multiplying caseload times cost times 12 months results in a client services impact of $152.1 million in fiscal year 2009, $166.6 million in fiscal year 2010, $182.6 million in fiscal year 2011, and $200.2 million in fiscal year 2012. The General Revenue share of these expenditures is approximately 40 percent in each fiscal year. Additionally, it is assumed that Vendor Drug Rebates and Supplemental Rebates will accrue and be expended by the Vendor Drug Program for prescription drugs. No full-time equivalents are assumed to be required.

DADS assumes that 32 additional clients would be eligible for the program for every $20 increase in excluded income. For a $100 exclusion amount, there would be 160 new recipients. However, DADS assumes a phase-in of the total clients, which is included in this cost estimate, for an average monthly caseload impact of 21 in fiscal year 2009, 61 in fiscal year 2010, 101 in fiscal year 2011, and 141 in fiscal year 2012. It is estimated that the total caseload impact of 160 would not occur until fiscal year 2013. The average monthly cost is assumed to be $626.24 in fiscal year 2009, with a 5 percent growth trend applied in subsequent years. Multiplying caseload times cost times 12 months results in a client services impact of $0.2 million in fiscal year 2009, $0.5 million in fiscal year 2010, $0.8 million in fiscal year 2011, and $1.2 million in fiscal year 2012. The General Revenue share of these expenditures is approximately 40 percent in each fiscal year. No full-time equivalents are assumed to be required.

Technology

HHSC estimates one-time costs in fiscal year 2008 for automation changes of $0.9 million in All Funds, which includes $0.5 million in General Revenue Funds.

Local Government Impact

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

Source Agencies: 529 Health and Human Services Commission, 539 Aging and Disability Services, Department of

LBB Staff: JOB, CL, PP, MB