

**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: HB1220** by Cohen (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 HB1220, As Introduced: a negative impact of (\$59,321,294) through the biennium ending August 31, 2009.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$12,503,867)
2009	(\$46,817,427)
2010	(\$46,817,427)
2011	(\$46,817,427)
2012	(\$46,817,427)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> <b>1</b>	Probable (Cost) from <i>PREMIUM CO- PAYMENTS</i> <b>3643</b>	Probable (Cost) from <i>EXPERIENCE REBATES-CHIP</i> <b>8054</b>	Probable (Cost) from <i>VENDOR DRUG REBATES-CHIP</i> <b>8070</b>
2008	(\$12,846,574)	(\$4,856,765)	(\$234,305)	(\$297,813)
2009	(\$47,051,732)	(\$2,984,085)	(\$577,012)	(\$733,457)
2010	(\$47,051,732)	(\$2,984,085)	(\$577,012)	(\$733,457)
2011	(\$47,051,732)	(\$2,984,085)	(\$577,012)	(\$733,457)
2012	(\$47,051,732)	(\$2,984,085)	(\$577,012)	(\$733,457)

Fiscal Year	Probable (Cost) from <i>FEDERAL FUNDS</i> <b>555</b>	Probable Savings/ (Cost) from <i>VENDOR DRUG REBATES-MEDICAID</i> <b>706</b>	Probable Revenue Gain from <i>PREMIUM CO- PAYMENTS</i> <b>3643</b>	Probable Revenue Gain from <i>EXPERIENCE REBATES-CHIP</i> <b>8054</b>
2008	(\$30,456,168)	\$280,331	\$4,856,765	\$577,012
2009	(\$96,530,719)	(\$64,579)	\$2,984,085	\$811,317
2010	(\$96,530,719)	(\$64,579)	\$2,984,085	\$811,317
2011	(\$96,530,719)	(\$64,579)	\$2,984,085	\$811,317
2012	(\$96,530,719)	(\$64,579)	\$2,984,085	\$811,317

<b>Fiscal Year</b>	<b>Probable Revenue Gain from VENDOR DRUG REBATES-CHIP 8070</b>	<b>Probable Revenue Gain/(Loss) from VENDOR DRUG REBATES- MEDICAID 706</b>
2008	\$297,813	(\$280,331)
2009	\$733,457	\$64,579
2010	\$733,457	\$64,579
2011	\$733,457	\$64,579
2012	\$733,457	\$64,579

## **Fiscal Analysis**

**Section 1 and 2:** These sections of the bill would restore income disregards in the Children's Health Insurance Program (CHIP), meaning income eligibility levels would apply to net instead of gross income; net income is defined. The assets test used to determine eligibility would also be eliminated.

**Section 3:** This section of the bill would establish a period of continuous eligibility for CHIP not to exceed 12 months, replacing the current six month period.

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**

It is assumed that beginning September 1, 2007 income disregards would be restored to the CHIP program, no assets test would be applied, and a period of 12 months continuous eligibility would replace the current six months of eligibility.

Implementation of the requirements of the bill would result in an additional 39,873 average monthly recipient months in fiscal year 2008 and 96,935 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. It is assumed there would be no impact to the CHIP Perinatal program. Clients enrolled in that program are not currently subject to an assets test and they already receive 12 months of continuous eligibility; there could be a small impact if income disregards were applied to the CHIP Perinatal program, but none is assumed here. There would be an impact to caseloads in children's Medicaid as changes occur to children transferring from CHIP to Medicaid at renewal. The caseload impact is assumed to be a reduction of 5,936 average monthly recipient months in fiscal year 2008 and an increase of 1,337 in following years.

The additional CHIP caseload would result in higher Premium Co-payment (enrollment fee) collections, estimated to be an additional \$4.9 million in fiscal year 2008 and \$3.0 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 \$0.6 million in fiscal year 2009 and beyond. Caseload differences would also impact Vendor Drug Rebate collections for CHIP and Medicaid resulting in a net additional \$0.8 million in fiscal year 2009 forward. Total net revenue gain would be \$5.1 million in fiscal year 2008, \$4.4 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 \$58.2 million All Funds in fiscal year 2008 increasing to \$141.5 million All Funds in fiscal year 2009 and subsequent years. These amounts include a cost of \$22.7 million in General Revenue Funds in fiscal year 2008 and \$49.1 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.

Average cost or savings to the Medicaid program is assumed to be \$159.50 per recipient month in each year. Savings from lower caseload are estimated to total \$11.4 million All Funds in fiscal year 2008 (including \$5.0 million in General Revenue Funds). There would be a cost to the Medicaid program in fiscal year 2009 and each following year of \$2.6 million All Funds (including \$1.2 million in General Revenue Funds).

It is estimated that there would be additional administrative costs of \$1.6 million All Funds in fiscal year 2008 (including \$0.3 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 \$3.9 million All Funds (including \$1.1 million in General Revenue Funds) for enrollment broker services and eligibility determination.

The total net cost of the bill would be \$43.3 million All Funds in fiscal year 2008 and \$143.6 million All Funds in fiscal year 2009 and subsequent years. These amounts include a net impact to General Revenue Funds of \$12.8 million in fiscal year 2008 and \$47.1 million in fiscal year 2009 and beyond. Also included are \$30.5 million in Federal Funds in fiscal year 2008 and \$96.5 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 \$1.0 million All Funds, including \$0.3 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