

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: HB1261 by Martinez, "Mando" (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 HB1261, As Introduced: a negative impact of (\$88,928,051) 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	(\$29,821,503)
2009	(\$59,106,548)
2010	(\$59,106,548)
2011	(\$59,106,548)
2012	(\$59,106,548)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>PREMIUM CO-</i> <i>PAYMENTS</i> 3643	Probable (Cost) from <i>EXPERIENCE</i> <i>REBATES-CHIP</i> 8054	Probable (Cost) from <i>VENDOR DRUG</i> <i>REBATES-CHIP</i> 8070
2008	(\$29,821,503)	(\$5,901,595)	(\$435,814)	(\$553,938)
2009	(\$59,106,548)	(\$3,484,795)	(\$707,724)	(\$899,606)
2010	(\$59,106,548)	(\$3,484,795)	(\$707,724)	(\$899,606)
2011	(\$59,106,548)	(\$3,484,795)	(\$707,724)	(\$899,606)
2012	(\$59,106,548)	(\$3,484,795)	(\$707,724)	(\$899,606)

Fiscal Year	Probable (Cost) from <i>FEDERAL FUNDS</i> 555	Probable Savings/ (Cost) from <i>VENDOR DRUG</i> <i>REBATES-MEDICAID</i> 706	Probable Revenue Gain from <i>PREMIUM CO-</i> <i>PAYMENTS</i> 3643	Probable Revenue Gain from <i>EXPERIENCE</i> <i>REBATES-CHIP</i> 8054
2008	(\$65,837,258)	\$247,040	\$5,901,595	\$435,814
2009	(\$120,422,846)	(\$147,377)	\$3,484,795	\$707,724
2010	(\$120,422,846)	(\$147,377)	\$3,484,795	\$707,724
2011	(\$120,422,846)	(\$147,377)	\$3,484,795	\$707,724
2012	(\$120,422,846)	(\$147,377)	\$3,484,795	\$707,724

Fiscal Year	Probable Revenue Gain from VENDOR DRUG REBATES-CHIP 8070	Probable Revenue Gain/(Loss) from VENDOR DRUG REBATES- MEDICAID 706
2008	\$553,938	(\$247,040)
2009	\$899,606	\$147,377
2010	\$899,606	\$147,377
2011	\$899,606	\$147,377
2012	\$899,606	\$147,377

Fiscal Analysis

Section 1 and 3: 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 2: This section of the bill would require the Health and Human Services Commission (HHSC) to conduct a community outreach and education campaign, including a toll-free hotline, for CHIP.

Section 4: 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.

Section 5: This section of the bill would revise the requirements for a waiting period in 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 beginning September 1, 2007 income disregards would be restored to the CHIP program, no assets test would be applied, a period of 12 months continuous eligibility would replace the current six months of eligibility, and that children applying for benefits would not be subject to the waiting period unless they were insured in the previous 90 days. 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. 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 children who applied for benefits prior to September 1, 2007 would be subject to the waiting period requirement in place at the time of application.

Implementation of the requirements of this bill would result in an additional 74,164 average monthly recipient months in fiscal year 2008 and 118,894 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 a waiting period or 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 occurred to children transferring from CHIP to Medicaid at renewal. The caseload impact is assumed to be a reduction of 5,231 average monthly recipient months in fiscal year 2008 and an increase of 3,052 in following years.

The additional CHIP caseload would result in higher Premium Co-payment (enrollment fee) collections, estimated to be an additional \$5.9 million in fiscal year 2008 and \$3.5 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 \$0.4 million in fiscal year

2008 and \$0.7 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 \$0.3 million in fiscal year 2008 and \$1.0 million in fiscal year 2009 forward. Total net revenue gain would be \$6.6 million in fiscal year 2008, \$5.2 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 \$108.3 million All Funds in fiscal year 2008 increasing to \$173.5 million All Funds in fiscal year 2009 and subsequent years. These amounts include a cost of \$39.9 million in General Revenue Funds in fiscal year 2008 and \$60.1 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 \$10.0 million All Funds in fiscal year 2008 (including \$4.4 million in General Revenue Funds). There would be a cost to the Medicaid program in fiscal year 2009 and each following year of \$5.8 million All Funds (including \$2.6 million in General Revenue Funds).

It is estimated that there would be additional administrative costs of \$4.1 million All Funds in fiscal year 2008 (including \$1.0 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 \$5.4 million All Funds for enrollment broker services and eligibility determination. HHSC indicates there would be no additional cost to implement the required community outreach campaign.

The total net cost of the bill would be \$95.7 million All Funds in fiscal year 2008 and \$179.5 million All Funds in fiscal year 2009 and subsequent years. These amounts include a net impact to General Revenue Funds of \$29.8 million in fiscal year 2008 and \$59.1 million in fiscal year 2009 and beyond. Also included are \$65.8 million in Federal Funds in fiscal year 2008 and \$120.4 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 \$1.1 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, 537 State Health Services, Department of
LBB Staff: JOB, CL, PP, LR