

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 1, 2007

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

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

IN RE: HB2020 by Herrero (Relating to the asset test for determining eligibility for the child health plan program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2020, As Introduced: a negative impact of (\$18,209,493) 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 | (\$5,803,725) |
| 2009 | (\$12,405,768) |
| 2010 | (\$12,405,768) |
| 2011 | (\$12,405,768) |
| 2012 | (\$12,405,768) |

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 | (\$5,803,725) | (\$600,450) | (\$71,843) | (\$91,314) |
| 2009 | (\$12,405,768) | (\$1,032,495) | (\$154,374) | (\$196,232) |
| 2010 | (\$12,405,768) | (\$1,032,495) | (\$154,374) | (\$196,232) |
| 2011 | (\$12,405,768) | (\$1,032,495) | (\$154,374) | (\$196,232) |
| 2012 | (\$12,405,768) | (\$1,032,495) | (\$154,374) | (\$196,232) |

| Fiscal Year | Probable (Cost) from <i>FEDERAL FUNDS</i> 555 | Probable Revenue Gain from <i>PREMIUM CO-</i> <i>PAYMENTS</i> 3643 | Probable Revenue Gain from <i>EXPERIENCE</i> <i>REBATES-CHIP</i> 8054 | Probable Revenue Gain from <i>VENDOR DRUG</i> <i>REBATES-CHIP</i> 8070 |
|-------------|--|---|--|---|
| 2008 | (\$12,238,055) | \$600,450 | \$71,843 | \$91,314 |
| 2009 | (\$25,753,981) | \$1,032,495 | \$154,374 | \$196,232 |
| 2010 | (\$25,753,981) | \$1,032,495 | \$154,374 | \$196,232 |
| 2011 | (\$25,753,981) | \$1,032,495 | \$154,374 | \$196,232 |
| 2012 | (\$25,753,981) | \$1,032,495 | \$154,374 | \$196,232 |

Fiscal Analysis

The bill revises the assets test used to determine eligibility for the Children's Health Insurance Program (CHIP).

Methodology

It is assumed that revising the assets test in CHIP would increase new enrollment and renewals each month. It is assumed that all families applying for or renewing benefits on or after September 1, 2007 would be subject to the revised assets test.

Revising the assets test in the manner specified by the bill would result in an estimated additional 12,226 average monthly recipient months in fiscal year 2008 and 25,934 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 the assets test.

The additional CHIP caseload would result in higher Premium Co-payment (enrollment fee) collections, estimated to be an additional \$0.6 million in fiscal year 2008 and \$1.0 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 \$0.1 million in fiscal year 2008 and \$0.2 million in fiscal year 2009 and beyond. Higher caseloads would also impact Vendor Drug Rebate collections for CHIP resulting in an additional \$0.1 million in fiscal year 2008 and \$0.2 million in fiscal year 2009 forward. Total net revenue gain would be \$0.8 million in fiscal year 2008, \$1.4 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 \$17.8 million All Funds in fiscal year 2008 increasing to \$37.9 million All Funds in fiscal year 2009 and subsequent years. These amounts include a cost of \$6.3 million in General Revenue Funds in fiscal year 2008 and \$13.3 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.

It is estimated that there would be additional administrative costs of \$1.0 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 \$1.7 million All Funds (including \$0.5 million in General Revenue Funds) for enrollment broker services and eligibility determination.

The total net cost of the bill would be \$18.0 million All Funds in fiscal year 2008 and \$38.2 million All Funds in fiscal year 2009 and subsequent years. These amounts include a net cost to General Revenue Funds of \$5.8 million in fiscal year 2008 and \$12.4 million in fiscal year 2009 and beyond. Also included are \$12.2 million in Federal Funds in fiscal year 2008 and \$25.8 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 \$0.2 million 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