

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 30, 2007

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

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

IN RE: HB2539 by Isett, Carl (Relating to a medical assistance opt-out program.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2539, Committee Report 1st House, Substituted: a negative impact of (\$2,959,052) 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	(\$2,534,052)
2009	(\$425,000)
2010	(\$140,250)
2011	(\$140,250)
2012	(\$140,250)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GR MATCH FOR MEDICAID 758	Probable (Cost) from FEDERAL FUNDS 555
2008	(\$2,534,052)	(\$3,253,353)
2009	(\$425,000)	(\$425,000)
2010	(\$140,250)	(\$140,250)
2011	(\$140,250)	(\$140,250)
2012	(\$140,250)	(\$140,250)

Fiscal Analysis

The bill requires the Health and Human Services Commission (HHSC) to seek a federal waiver to allow persons eligible for or receiving Medicaid to voluntarily opt out of receiving services under Medicaid and enroll in employer-sponsored insurance instead. HHSC would pay the employee's share of premiums, up to the estimated Medicaid costs for the individual's risk group; participants will be required to pay the difference, as well as any deductibles, copayments, coinsurance, and other cost-sharing. Participants are limited to the benefits provided under the plan in which they enroll; no wraparound benefits may be offered through Medicaid. HHSC is required to develop procedures by which a participant in the opt-out program may choose to resume receiving benefits and services through Medicaid. HHSC is required to implement an outreach campaign regarding the opt-out program.

Methodology

Client Services Costs: HHSC assumes cost neutrality since Medicaid would pay up to the estimated Medicaid costs for participants. The number of clients who might choose to opt out cannot be determined. There is a potential for savings if clients choose to opt out and the cost of their share of premiums is less than what it would have cost the state to provide services through the Medicaid program.

Administrative Costs: HHSC estimates a one-time cost of \$3.6 million All Funds, including \$1.4 million in General Revenue Funds, in fiscal year 2008 to make changes to the claims payment system to prevent the overpay of opt-out clients and for additional resources to handle provider and client calls. HHSC estimates a one-time cost of \$1.3 million All Funds, including \$0.7 million in General Revenue Funds, in fiscal year 2008 to change training materials and systems interfaces.

Outreach Costs: HHSC estimates a cost of \$0.9 million All Funds, including \$0.4 million in General Revenue Funds, in fiscal years 2008 and 2009 to conduct an outreach campaign. The cost would be \$0.3 million All Funds, including \$0.1 million in General Revenue Funds in fiscal year 2010 and beyond.

Total Costs: HHSC estimates a total cost of \$5.8 million All Funds, including \$2.5 million in General Revenue Funds, in fiscal year 2008; \$0.9 million All Funds, including \$0.4 million in General Revenue Funds, in fiscal year 2009; and \$0.3 million All Funds, including \$0.1 million in General Revenue Funds, in fiscal year 2010 and subsequent years.

Technology

Included in these costs is \$4.9 million All Funds, including \$2.1 million in General Revenue Funds, in fiscal year 2008 to modify claims and eligibility systems.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JOB, SD, CL, PP, LR