

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 16, 2007**

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

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

**IN RE: HB2826** by Taylor (Relating to the creation of a health insurance premium assistance program for low-income Texans.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2826, As Introduced: a negative impact of (\$220,044,772) 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	(\$510,000)
2009	(\$219,534,772)
2010	(\$353,754,357)
2011	(\$380,313,744)
2012	(\$407,716,324)

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

Fiscal Year	Probable (Cost) from <i>GR MATCH FOR MEDICAID</i> 758	Probable (Cost) from <i>FEDERAL FUNDS</i> 555	Probable Revenue Gain from <i>VENDOR DRUG REBATES-MEDICAID</i> 706	Probable (Cost) from <i>VENDOR DRUG REBATES-MEDICAID</i> 706
2008	(\$510,000)	(\$510,000)	\$0	\$0
2009	(\$219,534,772)	(\$354,799,946)	\$20,009,187	(\$20,009,187)
2010	(\$353,754,357)	(\$573,877,188)	\$33,404,743	(\$33,404,743)
2011	(\$380,313,744)	(\$619,268,963)	\$37,180,418	(\$37,180,418)
2012	(\$407,716,324)	(\$666,433,504)	\$41,258,760	(\$41,258,760)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	0.0
2009	202.0
2010	309.0
2011	317.0
2012	322.0

## Fiscal Analysis

**Section 1** of the bill would amend Subchapter B, Chapter 32 of the Human Resources Code by adding Section 32.0424 to require the Health and Human Services Commission (HHSC) to develop a health insurance premium assistance program for low-income Texas residents with a net family income at or below 200 percent of the Federal Poverty Level (FPL) who are not eligible for the Medicaid program, and who did not have health insurance for at least 9 of the previous 12 months. To be eligible for an assistance program, individuals would have to meet certain requirements regarding mandatory work or participation in employment activities. The bill would authorize HHSC to use premium assistance for an individual health insurance policy or a small or large employer health benefit plan. These plans could include high-deductible health benefit plans and consumer choice plans.

Section 1 would also authorize HHSC to contract with a qualified vendor to develop and administer the premium assistance program, and require HHSC Executive Commissioner and Texas Department of Insurance to adopt rules necessary to implement this section.

**Section 2** would require HHSC to request a waiver or authorization from a federal agency if needed to implement this provision.

**Section 3** specifies that the bill would become effective immediately if it receives two-thirds of votes, otherwise it would take effect on September 1, 2007.

## Methodology

The costs shown above are based on HHSC's analysis. HHSC assumes that it would be able to obtain the necessary federal approvals in fiscal year 2008 and implement provisions of the bill in fiscal year 2009. According to HHSC's estimate, approximately 20 percent of one million uninsured working Texans with income at or below 200 percent of FPL would meet the enrollment criteria in the bill. HHSC estimates that approximately 147,600 recipients could be enrolled in the program in fiscal year 2009; 224,600 recipients in fiscal year 2010; 229,400 recipients in fiscal year 2011 and 233,600 recipients in fiscal year 2012.

**Client costs:** To determine the costs of providing premium assistance to eligible individuals, HHSC calculated an estimated monthly premium cost based on the Medicaid premium amount for an adult eligible for a Temporary Assistance for Needy Families (TANF), which is estimated to be \$326 in fiscal year 2009, \$345 in fiscal year 2010, \$365 in fiscal year 2011, and \$386 in fiscal year 2012.

Based on these estimates and HHSC's assumption that it would pay 100 percent of the premium amount for an eligible individual, the premium assistance program would cost \$574 million in fiscal year 2009 in All Funds, including \$229.4 million in General Revenue Funds; fiscal year 2010-\$929.9 million in All Funds; fiscal year 2011-\$1,004.9 million in All Funds; and \$1,083 million in All Funds in fiscal year 2012.

**Administrative costs:** HHSC assumed that the agency would not use a contractor for managing a new program, but would use its Medicaid eligibility systems and infrastructure to implement and administer this premium assistance program. According to HHSC, one-time costs of making necessary changes to the systems to establish a new eligibility group in fiscal year 2008 are estimated to be \$1.0 million in All Funds, including \$0.5 million in General Revenue Funds.

HHSC estimated that its on-going administrative costs of additional FTEs to determine eligibility and enroll uninsured clients into the premium payment assistance program would be \$20.4 million in All Funds, including \$10.2 million in General Revenue Funds, for 202 FTEs in fiscal year 2009; \$31.2 million in All Funds for 309 FTEs in fiscal year 2010; \$31.9 million in All Funds for 317 FTEs in fiscal year 2011, and \$32.4 million in All Funds for 322 FTEs in fiscal year 2012.

**Total costs:** The premium assistance program's All Funds cost is estimated at \$594,343,905 in fiscal year 2009; \$961,036,288 in fiscal year 2010; \$1,036,763,125 in fiscal year 2011, and \$1,115,408,588 in fiscal year 2012. HHSC also estimates revenue gain from Medicaid rebates in the amount of \$20 million in fiscal year 2009; \$33.4 million in fiscal year 2010; \$37.2 million in fiscal year 2011, and \$41.3 million in fiscal year 2012.

### **Technology**

HHSC estimates that system changes to the eligibility and enrollment system would represent a one-time cost in fiscal year 2008 in the amount of \$1.0 million in All Funds, including \$0.5 million in General Revenue Funds.

### **Local Government Impact**

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

**Source Agencies:** 454 Department of Insurance, 529 Health and Human Services Commission

**LBB Staff:** JOB, CL, JI, NB