

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

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

**April 8, 2007**

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

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

**IN RE: HB2852** by Davis, John (Relating to a transitional health plan program for certain children previously enrolled in the Medicaid or the state child health plan program.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2852, As Introduced: a negative impact of (\$2,945,325) 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	(\$1,546,699)
2009	(\$1,398,626)
2010	(\$1,448,312)
2011	(\$1,466,075)
2012	(\$1,489,835)

**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 Revenue Gain from <i>PREMIUM CO-</i> <i>PAYMENTS</i> 3643	Change in Number of State Employees from FY 2007
2008	(\$1,546,699)	(\$7,650,053)	\$7,650,053	3.0
2009	(\$1,398,626)	(\$15,596,472)	\$15,596,472	6.0
2010	(\$1,448,312)	(\$15,904,518)	\$15,904,518	7.0
2011	(\$1,466,075)	(\$16,219,863)	\$16,219,863	7.0
2012	(\$1,489,835)	(\$16,541,049)	\$16,541,049	7.0

**Fiscal Analysis**

The bill authorizes the Health and Human Services Commission (HHSC) to establish a transitional child health plan program to provide coverage for children previously enrolled in Medicaid or the Children's Health Insurance Program (CHIP). Children would be eligible for the program if they are under 19 years of age, not eligible for Medicaid or CHIP, not covered by private insurance offering adequate benefits, and satisfy any other eligibility standard imposed by HHSC. All CHIP health plan providers must offer coverage to children in the transitional plan. Coverage would extend for one year after enrollment or until the child's 19th birthday. HHSC is required to determine the premium amount, which may not exceed the CHIP premium amount. HHSC may not pay any amount of the premium, deductible, copayment, coinsurance, or other cost-sharing related to coverage under the

transitional plan. Coverage shall be terminated if timely payment of premiums is not made. The executive commissioner of HHSC must adopt rules and guidelines necessary to implement the provisions of the bill by January 1, 2008.

### **Methodology**

Implementation date is assumed to be March 1, 2008. HHSC assumes 40 percent of clients not renewing CHIP coverage in the highest income bracket and 5 percent of clients not renewing Medicaid with incomes exceeding CHIP levels would enroll in the program. Estimated caseload is 5,240 average monthly recipient months in fiscal year 2008; 10,683 in fiscal year 2009; 10,894 in fiscal year 2010; 11,110 in fiscal year 2011; and 11,330 in fiscal year 2012. At an average cost of \$121.66 per recipient month, estimated client services cost is \$7.7 million in fiscal year 2008, \$15.6 million in fiscal year 2009, \$15.9 million in fiscal year 2010, \$16.2 million in fiscal year 2011, and \$16.5 million in fiscal year 2012. It is assumed that all client services costs will be financed with Premium Copayments, resulting in an equal gain to revenue; regardless of caseload, client services would be cost neutral.

Administrative costs are estimated to be \$1.5 million in fiscal year 2008, \$1.4 million in fiscal years 2009 and 2010, and \$1.5 million in fiscal years 2011 and 2012. These costs include \$0.9 million in fiscal year 2008 for one-time system modifications; remaining administrative costs are for enrollment broker services, premium collection fees, and eligibility determination staff (3.0 FTEs in fiscal year 2008, 6.0 FTEs in fiscal year 2009, and 7.0 FTEs in fiscal year 2010 and beyond). It is assumed that administrative costs will be financed with General Revenue Funds. Enrollment broker services, premium collection fees, and eligibility determination costs are caseload driven; lower caseloads would result in lower administrative costs, higher caseloads would result in higher administrative costs.

### **Technology**

Costs include \$0.9 million in General Revenue Funds in fiscal year 2008 for one-time system modifications.

### **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