

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 28, 2007

TO: Honorable Dianne White Delisi, Chair, House Committee on Public Health

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

IN RE: HB2863 by Coleman (Relating to coverage for health care for Texans.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB2863, As Introduced: a negative impact of (\$3,270,758,712) 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	(\$1,250,269,214)
2009	(\$2,020,489,498)
2010	(\$2,194,220,110)
2011	(\$2,371,346,549)
2012	(\$2,554,313,790)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Probable (Cost) from PREMIUM CO- PAYMENTS 3643	Probable (Cost) from EXPERIENCE REBATES-CHIP 8054	Probable (Cost) from VENDOR DRUG REBATES-CHIP 8070
2008	(\$1,250,269,214)	(\$5,956,555)	(\$446,416)	(\$567,418)
2009	(\$2,000,286,411)	(\$3,511,080)	(\$714,605)	(\$908,351)
2010	(\$2,172,459,203)	(\$3,511,080)	(\$714,605)	(\$908,351)
2011	(\$2,347,891,328)	(\$3,511,080)	(\$714,605)	(\$908,351)
2012	(\$2,529,019,635)	(\$3,511,080)	(\$714,605)	(\$908,351)

Fiscal Year	Probable (Cost) from VENDOR DRUG REBATES-MEDICAID 706	Probable Revenue Gain from PREMIUM CO- PAYMENTS 3643	Probable Revenue Gain from EXPERIENCE REBATES-CHIP 8054	Probable Revenue Gain from VENDOR DRUG REBATES-CHIP 8070
2008	(\$5,284,632)	\$5,956,555	\$446,416	\$567,418
2009	(\$33,238,149)	\$3,511,080	\$714,605	\$908,351
2010	(\$34,795,969)	\$3,511,080	\$714,605	\$908,351
2011	(\$36,490,283)	\$3,511,080	\$714,605	\$908,351
2012	(\$38,329,217)	\$3,511,080	\$714,605	\$908,351

Fiscal Year	Probable Revenue Gain from VENDOR DRUG REBATES-MEDICAID 706	Probable (Cost) from FEDERAL FUNDS 555	Probable (Cost) from GR DEDICATED ACCOUNTS 994	Probable (Cost) from OTHER SPECIAL STATE FUNDS 998
2008	\$5,284,632	(\$1,948,296,474)	(\$24,717)	(\$2,482)
2009	\$13,035,062	(\$2,866,160,067)	(\$24,717)	(\$2,482)
2010	\$13,035,062	(\$3,107,880,331)	(\$24,717)	(\$2,482)
2011	\$13,035,062	(\$3,357,154,520)	(\$24,717)	(\$2,482)
2012	\$13,035,062	(\$3,612,476,909)	(\$24,717)	(\$2,482)

Fiscal Year	Probable (Cost) from STATE HIGHWAY FUND 6	Change in Number of State Employees from FY 2007
2008	(\$110,161)	(180.5)
2009	(\$110,161)	276.8
2010	(\$110,161)	340.3
2011	(\$110,161)	405.6
2012	(\$110,161)	474.1

Fiscal Analysis

The bill would enact the following provisions into law:

Section 1.04 requires the executive commissioner of the Health and Human Services Commission (HHSC), the comptroller, the commissioner of insurance, the board of directors of the Texas Health Insurance Risk pool, and the Texas Higher Education Coordinating Board (THECB) to implement the requirement of the bill.

Section 2.01 requires HHSC to ensure that all children eligible for Medicaid are enrolled and establishes 12 months continuous eligibility for the Medicaid program.

Section 2.02 requires HHSC to establish a broad outreach and education campaign for families related to health care coverage, including Medicaid. The program must include distribution of Medicaid applications by emergency department personnel when uninsured children are treated in the emergency department; provision of information about Medicaid by public schools in connection with enrollment in programs for free or reduced price lunches, and making information about Medicaid available to parents applying for public assistance programs.

Section 2.03 requires HHSC to expand the Medicaid health insurance premium program.

Section 2.04 requires HHSC to reestablish the Medicaid medically needy program to the same manner and level that services were provided during the 2002-03 biennium.

Section 2.05 requires HHSC to expand the Medicaid program to cover families with an income at or below 100 percent of the federal poverty level.

Section 2.06 requires HHSC to make services through community-based Medicaid waiver programs available to applicants in the order applications are received. HHSC must also progressively reduce the period during which an applicant must wait for services so that by September 1, 2017 no applicant waits more than 24 months to receive services.

Section 2.07 requires HHSC to establish Medicaid provider reimbursement rates that achieve parity with similar rates paid under Medicare. HHSC must cooperate with Medicaid providers to facilitate the establishment of a medical home for Medicaid recipients.

Section 2.08 requires HHSC to develop a medical passport for each Medicaid recipient.

Section 3.01 requires HHSC to ensure that all children eligible for the Children’s Health Insurance Program (CHIP) are enrolled and establishes 12 months continuous eligibility for CHIP.

Section 3.02 requires HHSC to establish a broad outreach and education campaign for families related to health care coverage, including CHIP. The program must include distribution of CHIP applications by emergency department personnel when uninsured children are treated in the emergency department; provision of information about CHIP by public schools in connection with enrollment in programs for free or reduced price lunches, and making information about CHIP available to parents applying for public assistance programs.

Section 3.03 restores income disregards in CHIP, meaning that when income eligibility is determined the family income is reduced by offsets for expenses such as child-care and work-related expenses in accordance with standards applied in the Medicaid program. The assets test used to determine eligibility is also eliminated.

Section 3.04 eliminates the waiting period for CHIP.

Section 3.05 requires HHSC to expand coverage under CHIP to children whose family income exceeds the income eligibility requirements if other coverage is unavailable because the child's parents are self-employed or the child's parents' employers do not offer health coverage for dependent children. Under this program, premium payments would be required on a sliding scale; the full monthly premium cost would be paid by the family if family income is above 400 percent of the federal poverty level.

Section 3.06 requires HHSC to cooperate with health care providers to facilitate the establishment of a medical home for CHIP recipients.

Section 3.07 requires HHSC to develop a medical passport for each CHIP recipient.

Section 4.01 requires the comptroller to implement by rule certain credits under the bill that an employer may apply against any amount owed to the state by the employer under state law.

Section 4.02 requires HHSC to provide grants to provide technical assistance and funding to encourage public-private partnerships.

Section 4.03 requires the commissioner of insurance to implement by rule a small employer reinsurance program.

Section 4.04 requires the board of directors of the Texas Health Insurance Risk Pool to provide coverage to certain individuals.

Section 4.05 requires the THECB to require each student enrolled in a public institution of higher education to have health care coverage.

Section 4.06 requires HHSC to establish a fund to support existing and new federally qualified community health centers and maximize direct federal funding for these centers.

Section 4.07 requires the THECB to administer each program that offers medical, dental, and health care education loan forgiveness and promote the availability of these programs.

The bill would take effect immediately upon a two-thirds vote in each house, otherwise the bill would take effect September 1, 2007.

Methodology

Based on the analysis of the Comptroller of Public Accounts, expanding Medicaid and CHIP coverage could greatly increase state spending. Allowing employers to take credit against state taxes and fees for providing health insurance to lower-income employees could significantly reduce state sales, franchise, and other revenues. However, the fiscal effects of these proposed programs cannot be estimated because the breadth of the proposals and the magnitude and timing of the tax credits cannot be predicted.

Note: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Therefore, the fund, account, or revenue dedication included in the bill would be subject to funds consolidation review by the current Legislature.

Based on the analysis of the Texas Department of Insurance (TDI), duties and responsibilities at TDI associated with implementing the provisions of the bill could be accomplished within existing resources.

It is assumed the bill would have no significant fiscal impact on institutions of higher education.

It is assumed the bill would result in the transfer of Outstanding Rural Scholar Recognition Program and the Physician Assistant Loan Repayment Program from the Office of Rural and Community Affairs (ORCA) to the Higher Education Coordinating Board (THECB). It is assumed this would result in 1.2 FTEs and \$53,646 in salaries and associated costs for those FTEs, as well as the transfer of the funding for any forgiveness and loan repayments would be transferred from ORCA to THECB. Because these transfer costs would have a net fiscal impact on the state they are not included in the tables above. However, it is also assumed THECB would realize technology costs in the amount of \$77,559 in fiscal year 2008 in General Revenue to implement these two programs and this cost is reflected in the tables above.

Based on the analysis of the Employees Retirement System (ERS), it is assumed the bill would result in the elimination of the CHIP waiting period and extend the eligibility period to 12 months it would also result in the elimination of the State Kids Insurance Program (SKIP) and extend the eligibility period to 12 months for that program as well, which is administered by ERS. It is assumed this would increase the cost to the state of providing SKIP coverage in the amount of \$716,080. This cost is included in the table above.

The analysis of Articles 2 and 3 of the bill assumes the following and is based on analysis of the HHSC and DADS.

Section 2.01: Under federal law, continuous eligibility is limited to children in poverty level groups. It is assumed that beginning September 1, 2007 a period of 12 months continuous eligibility would replace the current six months of eligibility for all children enrolling in or renewing Medicaid on or after that date. 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. The total estimated net cost of this section of the bill is estimated to be \$220.3 million All Funds in fiscal year 2008 and \$517.4 million All Funds in fiscal year 2009 and subsequent years. These amounts include a savings from a reduction of 242.0 FTEs in each fiscal year.

Section 2.03: Based on recommendations included in the Texas State Government Effectiveness and Efficiency report entitled "Increase Health Insurance Premium Payment Enrollment to Generate Medicaid Savings," an estimated savings of \$2.6 million All Funds in fiscal year 2008 increasing to \$32.4 million All Funds in fiscal year 2012 is assumed. \$3.7 million in General Revenue savings related to this program is included in the General Appropriations Bill for 2008-09.

Section 2.04: It is assumed that the adult medically needy program would be restored in fiscal year 2009. A cost of \$5.5 million All Funds in fiscal year 2008 is included for system changes. HHSC estimates a cost of \$314.2 million All Funds in fiscal year 2009 increasing to \$406.3 million All Funds in fiscal year 2012. FTEs would increase by 20.0 in fiscal years 2009 through 2011 and by 21.0 in fiscal year 2012.

Section 2.05: It is assumed that coverage would be expanded in fiscal year 2009. HHSC estimates a cost of \$493.9 million All Funds in fiscal year 2009 increasing to \$605.5 million All Funds in fiscal year 2012. An additional 188.0 FTEs in fiscal year 2009 increasing to 194.0 FTEs in fiscal year 2012 are included.

Section 2.06: DADS estimates a cost of \$103.7 million All Funds in fiscal year 2008 rising to \$918.0 million All Funds by fiscal year 2012. FTEs would increase by 61.5 in fiscal year 2008 rising each year to 307.1 by fiscal year 2012.

Section 2.07: HHSC estimates a cost of \$2.8 billion All Funds in fiscal year 2008 increasing to \$3.4 billion All Funds in fiscal year 2012 to increase rates to the required levels.

Section 2.08: It is assumed that the medical passport would be implemented in fiscal year 2009. HHSC estimates a cost of \$37.8 million All Funds in fiscal year 2009 increasing to \$41.3 million All Funds in fiscal year 2012.

Sections 3.01, 3.03, and 3.04: 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 children applying for benefits would not be subject to the waiting period. 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 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. The total net cost of these sections of the bill would be \$99.0 million All Funds in fiscal year 2008 and \$181.4 million All Funds in fiscal year 2009 and subsequent years. It is assumed that 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.

Section 3.05: It is assumed that coverage would be expanded in fiscal year 2009. HHSC estimates a cost of \$136.8 million All Funds in fiscal year 2009 increasing to \$168.3 million All Funds in fiscal year 2012. An additional 188.0 FTEs in fiscal year 2009 increasing to 194.0 FTEs in fiscal year 2012 are included.

Section 3.07: It is assumed that the medical passport would be implemented in fiscal year 2009. HHSC estimates a cost of \$5.5 million All Funds in fiscal year 2009 increasing to \$6.0 million All Funds in fiscal year 2012.

Technology

Technology costs for HHSC and DADS total \$6.7 million All Funds in fiscal year 2008 and \$1.6 million All Funds in fiscal year 2009 and beyond, primarily for system changes related to the Medicaid and CHIP programs.

Technology costs for THECB total \$77,559 in General Revenue in fiscal year 2008, primarily for programming and testing for the implementation of the Outstanding Rural Scholars Recognition Program and the Physician Assistant Loan Repayment Program.

Local Government Impact

Local governments operating health facilities would benefit from increased reimbursements and a reduction in uninsurance rates. Local governments would lose Upper Payment Limit (UPL) funds, but would receive increased revenue from payment rate increases.

Source Agencies: 304 Comptroller of Public Accounts, 327 Employees Retirement System, 454 Department of Insurance, 529 Health and Human Services Commission, 537 State Health Services, Department of, 539 Aging and Disability Services, Department of, 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 733 Texas Tech University, 758 Texas State University System, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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