

**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: HB3733** by Crossover (Relating to the creation of a Medicaid health savings account pilot program.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3733, As Introduced: a negative impact of (\$2,200,000) 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	\$0
2009	(\$2,200,000)
2010	(\$1,200,000)
2011	(\$1,200,000)
2012	(\$1,200,000)

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

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Savings/(Cost) from <i>FEDERAL FUNDS</i> 555
2008	\$0	\$0
2009	(\$2,200,000)	(\$2,200,000)
2010	(\$1,200,000)	(\$1,200,000)
2011	(\$1,200,000)	(\$1,200,000)
2012	(\$1,200,000)	(\$1,200,000)

**Fiscal Analysis**

The bill would require the Health and Human Services Commission (HHSC) to develop and implement a Medicaid health savings account (HSA) pilot program consistent with the federal law, if HHSC determines that it is feasible. This pilot program is to encourage health care cost awareness and sensitivity among Medicaid recipients, and to promote appropriate utilization of Medicaid services. The bill also requires HHSC to request a waiver or authorization from a federal agency if needed to implement the provisions of the bill.

The bill would take effect September 1, 2007.

## **Methodology**

### **Administrative costs:**

HHSC estimates a cost of \$1.4 million in All Funds, including \$0.7 million in General Revenue Funds, for fiscal years 2009 and beyond to contract with a third party vendor who would provide customer assistance, maintain client accounts and enroll providers that currently do not contract with Medicaid. Since HHSC assumes that obtaining a federal approval to implement HSA could take 12 months, all administrative costs are estimated starting in fiscal year 2009.

HHSC also estimates that there will be additional costs associated with changes to the claims payment system and eligibility and enrollment system, and an increase in the number of calls from Medicaid recipients and program providers. These costs are estimated to be \$3.0 million in All Funds, including \$1.5 million in General Revenue Funds. A portion of these costs in the amount of \$2.0 million in All Funds, including \$1.0 million in General Revenue Funds, is estimated to be a one-time cost.

### **Client services costs:**

HHSC assumes that savings could occur if for some participating Medicaid clients, HSA amounts were below the average cost of Medicaid recipients in the same risk category, and these clients would not seek additional medical services beyond what is funded with the HSA. HHSC also assumes that savings could occur as Medicaid clients become more prudent customers since they would have an opportunity to manage their HSAs and make decisions related to their health care expenditures. HHSC estimates that these savings would offset administrative costs associated with the system changes and program operations; however, HHSC did not estimate these savings.

## **Technology**

HHSC estimates that system changes to the claims payment system and eligibility and enrollment system would be \$3 million in All Funds, including \$1.5 million in General Revenue Funds.

## **Local Government Impact**

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

**Source Agencies:** 529 Health and Human Services Commission

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