LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 25, 2007

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

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

IN RE: **HB3792** by Davis, John (Relating to tailored benefit packages for certain categories of the Medicaid population.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3792, Committee Report 1st House, Substituted: a positive impact of $16,864,232 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	($862,601)
2009	$17,726,833
2010	$20,428,233
2011	$23,136,105
2012	$26,019,060

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *GR MATCH FOR MEDICAID* 758	Probable Savings/(Cost) from *FEDERAL FUNDS* 555	Probable Savings/(Cost) from *GENERAL REVENUE FUND* 1
2008	($862,601)	($1,003,053)	$0
2009	$16,662,833	$25,843,972	$1,064,000
2010	$19,417,233	$29,982,466	$1,011,000
2011	$22,176,105	$34,127,678	$960,000
2012	$25,107,060	$38,531,444	$912,000

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC), if HHSC determines it is cost-effective, to seek a waiver under Section 1115 of the federal Social Security Act (42 U.S.C. Section 1315) to develop and implement tailored benefit packages designed to: provide Medicaid benefits that are customized to meet the health care needs of recipients within defined categories of the Medicaid population; improve health outcomes for those recipients; improve those recipients' access to services; and achieve cost savings and efficiency.

The bill would require each tailored benefit package developed under this section to include: a basic set of benefits that are provided under all tailored benefit packages; a set of benefits customized to

meet the health care needs of recipients in the defined category of the Medicaid population to which the package applies; and to the extent feasible, services to integrate the management of a recipient's acute and long-term care needs.

The bill would authorize a tailored benefit package to include any service available under the state Medicaid plan or under any federal Medicaid waiver, including any preventative health or wellness service. The bill would require the executive commissioner, by rule, to define each category of recipients to which a tailored benefit package applies and a mechanism for appropriately placing recipients in specific categories. Recipient populations to which a package applies may include: persons with disabilities or special health needs; elderly persons; children; and working age parents and caretaker relatives.

The bill would authorize HHSC to make a payment for a service provided under a tailored benefit package only if the service is medically necessary and provided in accordance with state and federal law.

Methodology

HHSC assumes implementation would occur in fiscal year 2009. HHSC indicates that tailored benefit packages could be implemented through healthcare management or more intensive healthcare management for specific Medicaid populations and children with special healthcare needs (CSHCN). Estimated savings are attributed to the movement of children and adults from Fee-for-Service (FFS) and Primary Care Case Management (PCCM) models to enhanced PCCM. According to HHSC, management of healthcare needs for additional clients in STAR+Plus would also reduce expenditures for this population. In addition, HHSC estimates that with an Exclusive Provider Organization (EPO) managing healthcare needs of CSHCN, clients' expenditures would decrease.

HHSC assumes that in fiscal year 2009 there will be a decrease in the client costs for individuals that participate in tailored benefit packages in the amount of $47.5 million in All Funds, including $19.6 million in General Revenue Funds. Beyond 2009, client costs would decline in the following manner: fiscal year 2010 - $53.6 million in All Funds, including $22.0 million in General Revenue Funds; fiscal year 2011 - $60.5 million in All Funds, including $24.7 million in General Revenue Funds; and in fiscal year 2012 - $67.8 million in All Funds, including $27.6 million in General Revenue Funds. The above estimates are based on the most current methodology used by HHSC to calculate savings from tailored benefits.

HHSC indicates that changes to the claims payment system, eligibility and enrollment system, and operations would be necessary to implement tailored benefit packages. HHSC assumes that additional call volume is expected to assist clients and providers. HHSC estimates total cost of implementation to be approximately $1.9 million in All Funds in fiscal year 2008, $3.9 million in All Funds in fiscal year 2009, and $3.2 million in All Funds per year starting in fiscal year 2010.

Technology

According to HHSC, the bill would require modifications to the eligibility and enrollment and claims administrator systems at a one-time cost of $1.9 million in All Funds in fiscal year 2008 and $0.6 million in All Funds in fiscal year 2009.

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, JJ