

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 27, 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3792, As Introduced: a positive impact of \$27,247,524 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	\$28,110,125
2010	\$32,166,271
2011	\$36,374,617
2012	\$40,786,534

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GR MATCH FOR MEDICAID</i> 758	Probable Savings/(Cost) from <i>FEDERAL FUNDS</i> 555
2008	(\$862,601)	(\$1,003,053)
2009	\$28,110,125	\$43,043,557
2010	\$32,166,271	\$49,137,927
2011	\$36,374,617	\$55,460,978
2012	\$40,786,534	\$62,089,893

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, and that savings from tailored benefit packages could be achieved through the expansion of healthcare management, or the provision of more intensive healthcare management to specific Medicaid populations. According to HHSC, tailored benefit packages would be applied to a range of Medicaid populations, including children and adults, and would include both voluntary and mandatory participation. HHSC also indicates that partnering with Medicare for clients that are eligible for Medicare and Medicaid could result in better client case management. HHSC estimates that savings from tailored benefit packages would begin at approximately \$75 million in All funds for fiscal year 2009 and increase up to \$106.1 million in All Funds for fiscal year 2012.

While several states have begun implementing tailored benefit packages via a 1115 waiver, there is limited information available on actual savings realized in other states. Further, according to HHSC the provision of early periodic screening, disagonistic, and treatment (EPSDT) services would be required.

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