LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 1, 2007

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

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

IN RE: **SB22** by Nelson (Relating to long-term care insurance and a partnership for long-term care program.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB22, As Engrossed: a negative impact of ($1,159,435) through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	$0
2009	($1,159,435)
2010	($238,074)
2011	($238,074)
2012	($238,074)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *GENERAL REVENUE FUND* 1	Probable Savings/(Cost) from *FEDERAL FUNDS* 555	Change in Number of State Employees from FY 2008
2008	$0	$0	0.0
2009	($1,159,435)	($1,159,435)	7.5
2010	($238,074)	($238,074)	4.5
2011	($238,074)	($238,074)	4.5
2012	($238,074)	($238,074)	4.5

Fiscal Analysis

The bill would implement recommendation 1, "Create a Long-Term Care Insurance Partnership to Reduce Future Reliance on Medicaid," from the Legislative Budget Boards report *Texas State Government Effectiveness and Efficiency: Selected Issues and Recommendations*. The bill would establish a Long-term Care (LTC) Partnership program in Texas consistent with Section 6021 of the federal Deficit Reduction Act of 2005.

Section 1 of the bill would establish the program within the Medicaid program at the Health and Human Services Commission (or the Department of Aging and Disability Services [DADS] as the designee to administer the medical assistance program). The provisions of the bill would provide individuals who purchase qualified LTC insurance policies a dollar-for-dollar asset disregard and asset protection of LTC benefit payments when applying for Medicaid Long-term Care services and against any subsequent recovery by the state. This means that participants in the program are exempt from

Medicaid asset requirements, but still must meet income requirements. The Health and Human Services Commission (HHSC) would be required to provide information and technical assistance to TDI regarding the training of agents to sell partnership policies. HHSC would also be required adopt rules and file a biennial report with the legislature no later than September 30th of each even-numbered year.

Section 2 of the bill would require the Texas Department of Insurance (TDI) to establish standards and an approval process for LTC Partnership Insurance Plans. TDI would be required to adopt rules as necessary to implement the program.

Section 3 of the bill would require HHSC, in collaboration with TDI and DADS, to establish a LTC Insurance Awareness and Education Campaign to educate and inform potential consumers of the benefits of LTC Partnership Plans.

Sections 4 and 5 of the bill would require HHSC to seek necessary State Medicaid Plan Amendments or waivers and would authorize HHSC to delay implementation pending any needed waiver or authorization.

The effective date of the act would be Sept. 1, 2007.

Methodology

According to HHSC, the biennial General Revenue cost of implementing the Long-term Care Partnership program, assumed to be in fiscal year 2009, is estimated at $1,159,435. This cost includes:

1. one-time costs to modify the Texas Integrated Eligibility Redesign System (TIERS);
2. the cost of training eligibility staff, curriculum development, and training material;
3. 7.5 FTEs for program development (future years would require 4.5 FTEs);
4. the cost of the program evaluation; and
5. the cost to implement a public awareness and education campaign directed at consumers.

Implementation of this bill is assumed to result in savings in the number of months of Medicaid-funded LTC, since consumers will rely on private LTC insurance for the initial part of their LTC stay. The impact on caseloads is not expected to be significant in the next five fiscal years, since most consumers purchasing long-term care are not assumed to require LTC placement in the following five years. Savings in Medicaid long-term care would be expected in approximately 2021.

Neither TDI nor DADS anticipate a significant fiscal impact to implement provisions of the bill.

The TIERS modification cost, training materials, and temporary staff would qualify for Medicaid federal match at the administrative match rate of 50 percent. This estimate also assumes that LTC Partnership staff and the awareness campaign would qualify for federal participation at 50 percent. It is unknown if federal funding would be approved for this function.

Technology

According to HHSC, TIERS will need to be modified to collect information regarding this new Long-Term Care policy. These one-time costs total $1,660,440 in All Funds for fiscal year 2009. The modifications are expected to be completed by early 2009.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance, 529 Health and Human Services Commission, 539 Aging and Disability Services, Department of

LBB Staff: JOB, CL, KJG, JI, YD