

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 3, 2007**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

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

**IN RE: SB266** by Zaffirini (Relating to the period of continuous eligibility for the medical assistance program.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB266, As Introduced: a negative impact of (\$281,332,093) 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	(\$82,703,993)
2009	(\$198,628,100)
2010	(\$198,628,100)
2011	(\$198,628,100)
2012	(\$198,628,100)

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

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable (Cost) from <i>VENDOR DRUG</i> <i>REBATES-MEDICAID</i> <b>706</b>	Probable Revenue Gain from <i>VENDOR DRUG</i> <i>REBATES-MEDICAID</i> <b>706</b>	Probable (Cost) from <i>FEDERAL FUNDS</i> <b>555</b>
2008	(\$82,703,993)	(\$5,514,862)	\$5,514,862	(\$137,620,251)
2009	(\$198,628,100)	(\$12,892,940)	\$12,892,940	(\$318,765,373)
2010	(\$198,628,100)	(\$12,892,940)	\$12,892,940	(\$318,765,373)
2011	(\$198,628,100)	(\$12,892,940)	\$12,892,940	(\$318,765,373)
2012	(\$198,628,100)	(\$12,892,940)	\$12,892,940	(\$318,765,373)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	(242.0)
2009	(242.0)
2010	(242.0)
2011	(242.0)
2012	(242.0)

## **Fiscal Analysis**

The bill establishes a period of continuous eligibility not to exceed 12 months for children under 19 years of age in Medicaid, replacing the current six months of eligibility.

## **Methodology**

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.

Establishing 12 months continuous eligibility would result in an additional 116,774 average monthly recipient months in fiscal year 2008 and 267,002 in fiscal year 2009 and subsequent years. The average cost per recipient month is estimated to be \$167.08 in fiscal year 2008 and \$166.69 in fiscal year 2009 and beyond. The additional cost to the program from higher caseloads would be \$234.1 million All Funds, including \$92.4 million in General Revenue Funds, in fiscal year 2008 rising to \$534.1 million All Funds, including \$213.4 million in General Revenue Funds, in fiscal year 2009 forward. These General Revenue Funds amounts include expenditure of additional collections of Vendor Drug Rebates for Medicaid totaling \$5.5 million in fiscal year 2008 and \$12.9 million in fiscal year 2009 and subsequent years.

There would be a net savings in administrative expenditures of \$8.3 million All Funds (including \$4.1 million in General Revenue Funds) in fiscal year 2008 and \$3.8 million All Funds (including \$1.9 million in General Revenue Funds) in fiscal year 2009 forward. This includes one-time costs for system changes and policy implementation, additional cost for enrollment broker services, savings in eligibility determination, and FTE reductions. Savings from FTE reductions total \$12.1 million All Funds each fiscal year from reduction of 242.0 FTEs.

The total net cost 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 net impact to General Revenue Funds of \$82.7 million in fiscal year 2008 and \$198.6 million in fiscal year 2009 and beyond.

## **Technology**

Technology costs included above total \$0.2 million All Funds, including \$0.1 million in General Revenue Funds, in fiscal year 2008 for one-time costs associated with system changes.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

**LBB Staff:** JOB, CL, PP, LR