

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

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

**February 28, 2007**

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

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

**IN RE: SB693** by Uresti (Relating to eligibility for and administration of certain health benefits programs.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB693, As Introduced: a negative impact of (\$655,085,901) 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	(\$252,605,876)
2009	(\$402,480,025)
2010	(\$402,480,025)
2011	(\$402,480,025)
2012	(\$402,480,025)

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

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable (Cost) from <i>PREMIUM CO-</i> <i>PAYMENTS</i> <b>3643</b>	Probable (Cost) from <i>EXPERIENCE</i> <i>REBATES-CHIP</i> <b>8054</b>	Probable (Cost) from <i>VENDOR DRUG</i> <i>REBATES-CHIP</i> <b>8070</b>
2008	(\$252,605,876)	(\$5,901,595)	(\$443,837)	(\$564,133)
2009	(\$402,480,025)	(\$3,484,795)	(\$715,190)	(\$909,094)
2010	(\$402,480,025)	(\$3,484,795)	(\$715,190)	(\$909,094)
2011	(\$402,480,025)	(\$3,484,795)	(\$715,190)	(\$909,094)
2012	(\$402,480,025)	(\$3,484,795)	(\$715,190)	(\$909,094)

Fiscal Year	Probable (Cost) from <i>VENDOR DRUG</i> <i>REBATES-MEDICAID</i> <b>706</b>	Probable Revenue Gain from <i>PREMIUM CO-</i> <i>PAYMENTS</i> <b>3643</b>	Probable Revenue Gain from <i>EXPERIENCE</i> <i>REBATES-CHIP</i> <b>8054</b>	Probable Revenue Gain from <i>VENDOR DRUG</i> <i>REBATES-CHIP</i> <b>8070</b>
2008	(\$5,400,434)	\$5,901,595	\$443,837	\$564,133
2009	(\$13,185,664)	\$3,484,795	\$715,190	\$909,094
2010	(\$13,185,664)	\$3,484,795	\$715,190	\$909,094
2011	(\$13,185,664)	\$3,484,795	\$715,190	\$909,094
2012	(\$13,185,664)	\$3,484,795	\$715,190	\$909,094

<b>Fiscal Year</b>	<b>Probable Revenue Gain from VENDOR DRUG REBATES- MEDICAID 706</b>	<b>Probable (Cost) from FEDERAL FUNDS 555</b>	<b>Change in Number of State Employees from FY 2007</b>
2008	\$5,400,434	(\$416,801,728)	474.0
2009	\$13,185,664	(\$657,644,257)	547.0
2010	\$13,185,664	(\$657,644,257)	547.0
2011	\$13,185,664	(\$657,644,257)	547.0
2012	\$13,185,664	(\$657,644,257)	547.0

## **Fiscal Analysis**

**Section 1** requires the Health and Human Services Commission (HHSC) to ensure that the processing time for applications and eligibility redeterminations for the Children's Health Insurance Program (CHIP) and Medicaid meets or exceeds the performance levels met in fiscal year 2004.

**Section 2** requires HHSC to establish provider payment rates in the CHIP and Medicaid programs at or above the level established during the state fiscal biennium beginning September 1, 2002. It further requires HHSC to apply annual inflation increases to these provider payment rates and enact a plan to bring them to Medicare levels. This section of the bill also requires HHSC to conduct a community outreach and education campaign for the CHIP and Medicaid programs; the campaign must be at least as extensive as the one in effect during state fiscal year 2003.

**Sections 3 and 4** restores income disregards in CHIP (income eligibility levels would apply to net instead of gross income). The assets test used to determine eligibility would also be eliminated and presumptive eligibility, except for children subject to a waiting period, would be required for CHIP.

**Section 5** establishes a period of continuous eligibility for CHIP not to exceed 12 months.

**Section 6** specifies that application for CHIP made through the internet be made using an online application through the Texas Integrated Enrollment Services eligibility determination system.

**Section 7** requires HHSC to establish methods of payment for enrollment fees in CHIP that are feasible and convenient for participants without a bank account, if cost-sharing provisions for the program include an enrollment fee.

**Section 8** revises the requirements for a waiting period in CHIP. The waiting period would apply only to children who had health insurance during the 90 days prior to applying for CHIP coverage and would extend for 90 days after the last date on which a child was insured under a health benefits plan.

**Section 9** requires presumptive eligibility for children under 19 years of age in Medicaid.

**Section 10** establishes a period of continuous eligibility not to exceed 12 months for children under 19 years of age in Medicaid.

**Section 11** requires HHSC to establish methods of payment for enrollment fees in the Medicaid program that are feasible and convenient for participants without a bank account, if cost-sharing provisions for the program include an enrollment fee.

**Section 12** requires HHSC to conduct a study to assess possible methods for ensuring that health benefits coverage is available to every child in the state of Texas at a cost commensurate with the child's household income. Report to the legislature is required by December 1, 2009.

**Section 13** requires agencies to request any necessary federal waiver or authorization needed to implement any provision of the bill. The agencies are authorized to delay implementation of a provision until a necessary waiver or authorization is granted.

## **Methodology**

For all sections of the bill related to CHIP it is assumed that federal matching funds would be available; however, if the state exhausts its capped federal allotment, General Revenue Funds would be required in lieu of assumed Federal Funds.

For all sections of the bill, fiscal year 2009 caseload and cost estimates are assumed to be flat in fiscal years 2010 through 2012.

**Section 1:** HHSC estimates no significant fiscal impact to the CHIP program as the contracted rates already require that fiscal year 2004 performance levels are maintained. HHSC estimates a need for 716.0 full-time equivalents (FTEs) in fiscal year 2008 and 789.0 FTEs in fiscal year 2009 at an average cost of \$50,000 per FTE to return to the performance levels required in the bill. The estimate of need for FTEs is based on forecasted caseload increase since fiscal year 2004 adjusted for an expected 20 percent increase in efficiency resulting from new eligibility processes. Estimated cost for this section of the bill is \$35.8 million All Funds, including \$17.9 million in General Revenue Funds, in fiscal year 2008 and \$39.5 million All Funds, including \$19.7 million in General Revenue Funds, in fiscal year 2009.

**Section 2:** HHSC estimates a cost of \$296.4 million All Funds, including \$116.0 million in General Revenue Funds, in fiscal year 2008 and \$306.9 million All Funds, including \$119.6 million in General Revenue Funds, in fiscal year 2009 to restore provider rates to the fiscal year 2003 level.

HHSC estimates no fiscal impact from the community outreach and education campaign as amounts included in House Bill 1, as introduced, already exceed the fiscal year 2003 level.

**Sections 3, 4, 5, and 8:** It is assumed that beginning September 1, 2007 income disregards would be restored to the CHIP program, no assets test would be applied, a period of 12 months continuous eligibility would replace the current six months of eligibility, and that children applying for benefits would not be subject to the waiting period unless they were insured in the previous 90 days. 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. It is assumed that 95 percent of children currently subject to a waiting period would now be enrolled in the program immediately; it is assumed the remaining 5 percent were insured in the previous 90 days and would be subject to a waiting period that would begin on the day of application. It is assumed that children who applied for benefits prior to September 1, 2007 would be subject to the waiting period requirement in place at the time of application.

Implementation of the requirements of these sections would result in an additional 74,164 average monthly recipient months in fiscal year 2008 and 118,894 in fiscal year 2009. Allocation between General Revenue-funded CHIP programs (School Employee Children and Legal Immigrants) and the federally matched program is assumed to be the same as under current policy. It is assumed there would be no impact to the CHIP Perinatal program. Clients enrolled in that program are not currently subject to a waiting period or assets test and they already receive 12 months of continuous eligibility; there could be a small impact if income disregards were applied to the CHIP Perinatal program, but none is assumed here. There would be an impact to caseloads in children's Medicaid as changes occur to children transferring from CHIP to Medicaid at renewal. The caseload impact is assumed to be a reduction of 5,231 average monthly recipient months in fiscal year 2008 and an increase of 3,052 in fiscal year 2009.

Additional CHIP caseload would result in higher Premium Co-payment (enrollment fee) collections, estimated to be an additional \$5.9 million in fiscal year 2008 and \$3.5 million in fiscal year 2009. It is assumed that higher caseload would also result in additional collection of Experience Rebates, estimated to be \$0.4 million in fiscal year 2008 and \$0.7 million in fiscal year 2009. Caseload differences would also impact Vendor Drug Rebate collections for CHIP and Medicaid resulting in a net additional \$0.3 million in fiscal year 2008 and \$1.0 million in fiscal year 2009. Total net revenue gain would be \$6.6 million in fiscal year 2008, \$5.2 million in fiscal year 2009.

The average cost per recipient month in CHIP is assumed to be \$121.66 in fiscal year 2008 and

\$121.65 in fiscal year 2009. The additional cost to the program from higher caseloads would be \$108.3 million All Funds in fiscal year 2008 increasing to \$173.5 million All Funds in fiscal year 2009. These amounts include a cost of \$39.9 million in General Revenue Funds in fiscal year 2008 and \$60.1 million in General Revenue Funds in fiscal year 2009. These estimated General Revenue Funds amounts include expenditure of the higher Premium Co-payment, Experience Rebate, and Vendor Drug Rebates for CHIP collections.

Average cost/savings to the Medicaid program is assumed to be \$159.50 per recipient month in each year. Savings from lower caseload are estimated to total \$10.0 million All Funds in fiscal year 2008 (including \$4.4 million in General Revenue Funds). There would be a cost to the Medicaid program in fiscal year 2009 of \$5.8 million All Funds (including \$2.6 million in General Revenue Funds).

It is estimated that there would be additional administrative costs of \$4.1 million All Funds in fiscal year 2008 (including \$1.0 million in General Revenue Funds). This includes one-time costs for system changes, technology work, and training and policy updates as well as changes in variable fee payments for enrollment broker services and eligibility determination. In fiscal year 2009 administrative costs would be an additional \$5.4 million All Funds (including \$1.6 million in General Revenue Funds) for enrollment broker services and eligibility determination.

The total net cost of these sections would be \$95.7 million All Funds in fiscal year 2008 and \$179.5 million All Funds in fiscal year 2009. These amounts include a net impact to General Revenue Funds of \$29.8 million in fiscal year 2008 and \$59.1 million in fiscal year 2009. Also included are \$65.8 million in Federal Funds in fiscal year 2008 and \$120.4 million in fiscal year 2009.

Costs associated with the requirement for presumptive eligibility for CHIP are included in Section 9.

**Section 6:** HHSC estimates no significant fiscal impact from this section of the bill.

**Sections 7 and 11:** HHSC estimates a one-time cost of \$0.8 million All Funds, including \$0.3 million in General Revenue Funds, in fiscal year 2008 for implementing an installment plan and making needed changes to the automation systems. There could be an additional cost for transaction fees for cash payments at retailers or debit/credit card payments; these costs cannot be estimated at this time.

**Section 9:** The cost estimate for this section includes costs for presumptive eligibility in CHIP, as required by Section 4 of this bill. HHSC estimates caseload impact in both Medicaid and CHIP from new applicant children receiving additional months of coverage. It is assumed that effective September 1, 2007 all children applying for Medicaid or CHIP who meet the eligibility standards would receive coverage from the date of application rather than after the eligibility determination process is complete. Estimated caseload impact is an additional 1,365 average monthly CHIP recipient months in fiscal year 2008 and 1,254 in fiscal year 2009 and beyond and an additional 2,808 average monthly Medicaid recipient months in fiscal year 2008 and 3,010 in fiscal year 2009 and beyond.

The average cost per CHIP recipient month is assumed to be \$121.66 in fiscal year 2008 and \$121.65 in fiscal year 2009. The average cost per Medicaid recipient month is assumed to be \$214.84 in fiscal year 2008 and \$213.86 in fiscal year 2009.

The estimated cost for the CHIP program is \$7.3 million All Funds, including \$2.1 million in General Revenue Funds, in fiscal year 2008 and \$7.1 million All Funds, including \$2.1 million in General Revenue Funds in fiscal year 2009. These General Revenue Funds amounts include expenditure of \$18,218 in fiscal year 2008 and \$16,954 in fiscal year 2009 from additional collections of Vendor Drug Rebates for CHIP and Experience Rebates.

The estimated cost for the Medicaid program is \$7.2 million All Funds (including \$3.1 million in General Revenue Funds) in fiscal year 2008 and \$7.7 million All Funds (including \$3.4 million in General Revenue Funds) in fiscal year 2009. These General Revenue Funds amounts include expenditure of \$0.1 million each fiscal year from additional collections of Vendor Drug Rebates for Medicaid.

It is estimated that there would be additional administrative costs of \$1.9 million All Funds in

fiscal year 2008 (including \$0.8 million in General Revenue Funds). This includes one-time costs for changes to automation systems and policy implementation as well as changes in variable fee payments for enrollment broker services. In fiscal year 2009 additional costs for enrollment broker services would be \$0.2 million All Funds (including \$0.1 million in General Revenue Funds).

The total net cost of these sections would be \$16.2 million All Funds in fiscal year 2008 and \$14.9 million All Funds in fiscal year 2009. These amounts include a net impact to General Revenue Funds of \$5.9 million in fiscal year 2008 and \$5.4 million in fiscal year 2009. Also included are \$10.3 million in Federal Funds in fiscal year 2008 and \$9.5 million in fiscal year 2009.

**Section 10:** 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. The average cost per recipient month is estimated to be \$167.08 in fiscal year 2008 and \$166.69 in fiscal year 2009. 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. 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.

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. 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 in each fiscal year from reduction of 242.0 FTEs.

The total net cost of this section is estimated to be \$224.5 million All Funds in fiscal year 2008 and \$519.3 million All Funds in fiscal year 2009. 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.

**Sections 12 and 13:** HHSC estimates no fiscal impact from these sections; the requirements could be met using existing resources.

## **Technology**

Technology costs included above total \$3.7 million All Funds, including \$1.4 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