LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 18, 2009

TO: Honorable Patrick M. Rose, Chair, House Committee on Human Services

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

IN RE: **HB584** by Dukes (Relating to health benefits coverage for certain persons under the child health plan, medical assistance, and other programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB584, As Introduced: a negative impact of ($440,306,484) through the biennium ending August 31, 2011.

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
2010	($124,772,540)
2011	($315,533,944)
2012	($345,703,327)
2013	($370,310,648)
2014	($371,078,259)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *General Revenue Fund* 1	Probable (Cost) from *GR Match For Title XXI* 8010	Probable (Cost) from *GR Match For Medicaid* 758	Probable (Cost) from *Premium Co-payments* 3643
2010	($2,737,497)	($28,720,146)	($93,314,897)	($3,979,500)
2011	($5,630,621)	($58,565,320)	($251,338,003)	($179,530,680)
2012	($6,253,133)	($65,040,806)	($274,409,388)	($360,124,716)
2013	($6,386,973)	($66,399,891)	($297,523,784)	($364,803,265)
2014	($6,341,841)	($65,893,219)	($298,843,199)	($369,856,640)

Fiscal Year	Probable (Cost) from *Experience Rebates-CHIP* 8054	Probable (Cost) from *Vendor Drug Rebates-CHIP* 8070	Probable (Cost) from *Vendor Drug Rebates-Medicaid* 706	Probable (Cost) from *Federal Funds* 555
2010	($1,650,598)	($1,773,835)	($3,025,662)	($217,742,287)
2011	($3,394,177)	($3,633,685)	($6,944,006)	($534,109,186)
2012	($3,769,621)	($4,034,219)	($6,940,624)	($585,186,870)
2013	($3,850,182)	($4,120,434)	($6,940,624)	($622,049,924)
2014	($3,823,220)	($4,091,579)	($6,940,624)	($622,528,196)

Fiscal Year	Probable Revenue Gain from *Premium Co-payments* 3643	Probable Revenue Gain from *Experience Rebates-CHIP* 8054	Probable Revenue Gain from *Vendor Drug Rebates-CHIP* 8070	Probable Revenue Gain from *Vendor Drug Rebates-Medicaid* 706
2010	$3,979,500	$1,650,598	$1,773,835	$3,025,662
2011	$179,530,680	$3,394,177	$3,633,685	$6,944,006
2012	$360,124,716	$3,769,621	$4,034,219	$6,940,624
2013	$364,803,265	$3,850,182	$4,120,434	$6,940,624
2014	$369,856,640	$3,823,220	$4,091,579	$6,940,624

Fiscal Year	Change in Number of State Employees from FY 2009
2010	(150.0)
2011	(292.0)
2012	(286.0)
2013	(278.0)
2014	(277.0)

Fiscal Analysis

Section 1 requires the Health and Human Services Commission (HHSC) to increase income eligibility for the Children's Health Insurance Program (CHIP) from at or below 200 percent of the federal poverty level (FPL) to at or below 300 percent of FPL.

Section 2 requires HHSC to develop and seek a waiver to implement a demonstration project to provide health benefits plan coverage to parents of children enrolled in Medicaid or CHIP if the family's net income is at or below 300 percent of FPL and the parents are not currently eligible for Medicaid or covered by a health benefit plan offering adequate benefits (as determined by HHSC). The demonstration project must qualify for federal funding and be administered in a manner that is substantively identical to the CHIP program. Persons covered under the benefit plan would be required to pay 100 percent of the plan premium as well as other cost-sharing. Benefits of the plan are required to be similar to those provided by CHIP. The demonstration project must include provisions designed to discourage crowd-out. Section 6 requires HHSC to apply for and actively pursue the federal waiver as soon as practicable after the effective date of the bill and allows the commission to delay implementation of the demonstration project until the waiver is granted.

Section 3 requires HHSC to restore the Medicaid medically needy program to serve pregnant women, children, and caretakers with high medical expenses. At a minimum, the program must serve recipients, including adults, in the same manner and at the same level as the medically needy program in effect during the state fiscal biennium ending August 31, 2003. Section 7 requires the executive commissioner, by October 1, 2009, to adopt rules as necessary that are substantively identical to the rules relating to the medically needy program that were in effect on August 31, 2003.

Section 4 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.

Section 5 requires the executive commissioner of HHSC to develop, by September 1, 2010, a strategic plan designed to intensify community outreach and education relating to availability of CHIP and Medicaid and to reduce the paperwork and other administrative burdens associated with enrolling eligible individuals into those programs; the plan must be implemented by September 1, 2011.

Section 8 requires state agencies to request any federal waiver or authorization necessary to implement any provisions of the bill, other than those associated with the demonstration project under Section 2 of the bill, and authorizes them to delay implementation until the waivers or authorizations are granted.

Methodology

Section 1: It is assumed that beginning September 1, 2009 clients between 200 and 300 percent of FPL will begin enrolling in CHIP. It is assumed that annual enrollment fees will be established in the amount of $65 for families between 200 and 250 percent of FPL and $85 for families between 250 and 300 percent FPL. All other costs and program policies are maintained at the level assumed for children at or below 200 percent FPL.

Federal law currently caps income eligibility for CHIP at 50 percentage points above the highest limit for children enrolled in Medicaid; in Texas this cap would be 235 percent of FPL. HHSC indicates that the state may be allowed to “disregard” income above 235 percent of FPL. It is assumed that federal matching funds will be available for children above 235 percent FPL, but if the state does not get approval to enroll children above 235 percent FPL additional General Revenue Funds would be required to fund them.

It is estimated that increasing maximum income eligibility for the CHIP program would result in an additional 70,707 average monthly recipient months in fiscal year 2010; 145,397 in fiscal year 2011; 161,480 in fiscal year 2012; 164,931 in fiscal year 2013; and 163,776 in fiscal year 2014. The average cost per recipient month is estimated to be $129.69 in each fiscal year. The additional cost to the program from higher caseloads would be $110.0 million All Funds, including $36.5 million in General Revenue Funds, in fiscal year 2010; $226.3 million All Funds, including $72.9 million in General Revenue Funds, in fiscal year 2011; $251.3 million All Funds, including $80.8 million in General Revenue Funds, in fiscal year 2012; $256.7 million All Funds, including $82.6 million in General Revenue Funds, in fiscal year 2013; and $254.9 million All Funds, including $82.1 million in General Revenue Funds in fiscal year 2014. These General Revenue Funds amounts include expenditure of additional collections of Vendor Drug Rebates for CHIP, Experience Rebates, and Premium Copayments totaling $7.4 million in fiscal year 2010, $12.4 million in fiscal year 2011, $13.6 million in fiscal year 2012, $14.0 million in fiscal year 2013, and $14.1 million in fiscal year 2014.

There would also be additional administrative expenditures associated with the expanded program estimated to be $7.9 million All Funds, including $2.3 million in General Revenue Funds, in fiscal year 2010; $12.6 million All Funds, including $3.6 million in General Revenue Funds, in fiscal year 2011; $14.0 million All Funds, including $4.0 million in General Revenue Funds, in fiscal year 2012; $14.3 million All Funds, including $4.1 million in General Revenue Funds, in fiscal year 2013; and $14.2 million All Funds, including $4.1 million in General Revenue Funds, in fiscal year 2014. These amounts include one-time costs for system changes and policy implementation and ongoing costs for eligibility and enrollment broker services and postage.

The total cost of Section 1 is estimated to be $118.0 million All Funds, including $38.8 million in General Revenue Funds, in fiscal year 2010 rising to $269.1 million All Funds, including $86.2 million in General Revenue Funds, by fiscal year 2014. It is assumed that CHIP federal matching funds will be available; however, if the state exhausts its capped federal allotment, General Revenue Funds would be required in lieu of assumed Federal Funds.

Section 2: It is assumed that it will take a year for the agency to obtain the necessary waivers and authorizations and to perform required start-up activities. It is assumed that client services will begin September 1, 2010.

It is estimated that the demonstration project would take a year to reach full caseload resulting in 35,200 average monthly recipient months in fiscal year 2011; 71,600 in fiscal year 2012; 72,500 in fiscal year 2013; and 73,500 in fiscal year 2014. The average cost per recipient month is estimated to be $412.34 in each fiscal year. The client services cost of the project is estimated to be $174.2 million in fiscal year 2011, $354.3 million in fiscal year 2012, $358.7 million in fiscal year 2013, and $363.7 million in fiscal year 2014. It is assumed that the client services portion of the project will be funded entirely through collection of Premium Copayments.

There would also be administrative expenditures associated with the demonstration project estimated to be $1.8 million All Funds, including $0.9 million in General Revenue Funds, in fiscal year 2010; $1.5 million All Funds, including $0.7 million in General Revenue Funds, in fiscal year 2011; $3.0

million All Funds, including $1.5 million in General Revenue Funds, in fiscal year 2012; $3.1 million All Funds, including $1.5 million in General Revenue Funds, in fiscal year 2013; and $3.1 million All Funds, including $1.6 million in General Revenue Funds, in fiscal year 2014. These amounts include one-time costs for system changes and policy implementation and ongoing costs for eligibility and enrollment broker services, postage, and collection of premiums. It is assumed that matching federal funds will be available at the Medicaid administrative 50/50 match.

The total cost of Section 2 is estimated to be $1.8 million All Funds, including $0.9 million in General Revenue Funds, in fiscal year 2010 rising to $366.8 million All Funds, including $365.2 million in General Revenue Funds, by fiscal year 2014. These General Revenue amounts include expenditure of collected Premium Copayments.

Section 3: It is assumed that it will take a year for the agency to obtain the necessary waivers and authorizations and to perform required start-up activities. It is assumed that client services will begin September 1, 2010.

It is estimated that the restored medically needy program would take two years to reach full caseload resulting in an additional 4,486 average monthly recipient months in fiscal year 2011; 6,829 in fiscal year 2012; 9,238 in fiscal year 2013; and 9,372 in fiscal year 2014. The average cost per recipient month is estimated to be $1,923.34 in each fiscal year. The cost to the program from the additional caseload is estimated to be $103.5 million All Funds, including $42.5 million in General Revenue Funds, in fiscal year 2011; $157.6 million All Funds, including $64.7 million in General Revenue Funds, in fiscal year 2012; $213.2 million All Funds, including $87.5 million in General Revenue Funds, in fiscal year 2013; and $216.3 million All Funds, including $88.8 million in General Revenue Funds, in fiscal year 2014.

There would also be additional administrative expenditures associated with the restored program estimated to be $3.3 million All Funds, including $0.9 million in General Revenue Funds, in fiscal year 2010; $2.8 million All Funds, including $1.0 million in General Revenue Funds, in fiscal year 2011; $3.3 million All Funds, including $1.2 million in General Revenue Funds, in fiscal year 2012; and $3.9 million All Funds, including $1.5 million in General Revenue Funds, in fiscal years 2013 and 2014. This includes one-time costs for system changes and policy implementation; additional cost for claims administrator services, eligibility support contractor services, and postage; and the cost of additional eligibility staff. The cost of additional FTEs is $0.6 million All Funds for 14 additional FTEs in fiscal year 2011, $0.8 million All Funds for 20 additional FTEs in fiscal year 2012, $1.2 million All Funds for 28 additional FTEs in fiscal year 2013, and $1.2 million All Funds for 29 additional FTEs in fiscal year 2014.

The total net cost of Section 3 is estimated to be $3.3 million All Funds, including $0.9 million in General Revenue Funds, in fiscal year 2010 increasing to $220.2 million All Funds, including $90.3 million in General Revenue Funds, in fiscal year 2014. State General Revenue cost for fiscal year 2011 could be lower to the extent that federal stimulus improves the federal match for Medicaid client services.

Section 4: It is assumed that beginning September 1, 2009 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, 2009 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, 2009, including those already enrolled in the program, the cost of implementation would be higher.

It is estimated that 12 months continuous eligibility would result in an additional 113,917 average monthly recipient months in fiscal year 2010 and 258,385 in fiscal year 2011 and subsequent years. The average cost per recipient month is estimated to be $168.77 in fiscal year 2010 and $169.11 in fiscal year 2011 and beyond. The additional cost to the program from higher caseloads would be $230.7 million All Funds, including $95.1 million in General Revenue Funds, in fiscal year 2010 rising to $524.3 million All Funds, including $215.3 million in General Revenue Funds, in fiscal year 2011 and $524.3 million All Funds, including $215.2 million in General Revenue Funds, in fiscal year 2012 forward. These General Revenue Funds amounts include expenditure of additional collections of

Vendor Drug Rebates for Medicaid totaling $3.0 million in fiscal year 2010 and $6.9 million in fiscal year 2011 and subsequent years.

There would be a net savings in administrative expenditures of $2.3 million All Funds (including $1.2 million in General Revenue Funds) in fiscal year 2010 and $5.1 million All Funds (including $2.5 million in General Revenue Funds) in fiscal year 2011 forward. This includes one-time costs for system changes and policy implementation; additional cost for enrollment broker services, outreach, and postage; and savings from FTE reductions. Savings from FTE reductions total $6.2 million All Funds from reduction of 150 FTEs in fiscal year 2010 and $12.7 million All Funds from reduction of 306 FTEs in fiscal year 2011 and beyond.

The total net cost of Section 4 is estimated to be $228.4 million All Funds, including $93.9 million in General Revenue Funds, in fiscal year 2010; $519.3 million All Funds, including $212.8 million in General Revenue Funds, in fiscal year 2011; and $519.3 million All Funds, including $212.7 million in General Revenue Funds, in fiscal year 2012 and subsequent years. State General Revenue cost for the 2010-11 biennium could be lower to the extent that federal stimulus improves the federal match for Medicaid client services.

Section 5: HHSC indicates they are currently spending $5.9 million annually on outreach for children's Medicaid and CHIP. They assume outreach as described by the bill would require a 50 percent increase in expenditures. It is assumed that implementation of the plan would begin in fiscal year 2010 at a cost of $1.5 million All Funds, including $0.7 million in General Revenue Funds, increasing to $3.0 million All Funds, including $1.4 million in General Revenue Funds, in fiscal year 2011 and beyond. While these outreach actions may result in an increase in caseload for these programs, and therefore an additional cost to the state, no impact is assumed in this cost estimate.

The total net cost of the bill is estimated to be $352.9 million All Funds, including $135.2 million in General Revenue Funds, in fiscal year 2010 increasing to $1,378.3 million All Funds, including $755.8 million in General Revenue Funds, by fiscal year 2014.

Technology

Technology costs included above total $2.7 million All Funds, including $1.1 million in General Revenue Funds, in fiscal year 2010 for one-time costs associated with system changes.

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, PP, LR, MB, SJ