

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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**March 17, 2009**

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

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

**IN RE: HB647** by Dukes (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 HB647, As Introduced: a negative impact of (\$296,686,908) 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	(\$90,874,328)
2011	(\$205,812,580)
2012	(\$205,711,095)
2013	(\$205,711,095)
2014	(\$205,711,095)

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

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable (Cost) from <i>VENDOR DRUG REBATES-MEDICAID</i> 706	Probable Revenue Gain from <i>VENDOR DRUG REBATES-MEDICAID</i> 706	Probable (Cost) from <i>FEDERAL FUNDS</i> 555
2010	(\$90,874,328)	(\$3,025,662)	\$3,025,662	(\$134,458,225)
2011	(\$205,812,580)	(\$6,944,006)	\$6,944,006	(\$306,507,946)
2012	(\$205,711,095)	(\$6,940,624)	\$6,940,624	(\$306,612,813)
2013	(\$205,711,095)	(\$6,940,624)	\$6,940,624	(\$306,612,813)
2014	(\$205,711,095)	(\$6,940,624)	\$6,940,624	(\$306,612,813)

Fiscal Year	Change in Number of State Employees from FY 2007
2010	(150.0)
2011	(306.0)
2012	(306.0)
2013	(306.0)
2014	(306.0)

## **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, 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 the bill is estimated to be \$228.4 million All Funds in fiscal year 2010 and \$519.3 million All Funds in fiscal year 2011 and subsequent years. These amounts include a net impact to General Revenue Funds of \$90.9 million in fiscal year 2010, \$205.8 million in fiscal year 2011, and \$205.7 million in fiscal year 2012 and beyond. 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.

## **Technology**

Technology costs included above total \$0.5 million All Funds, including \$0.3 million in General Revenue Funds, in fiscal year 2010 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