LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 3, 2009

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

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

IN RE: **HB744** by Dukes (Relating to the restoration of the medically needy program under the state Medicaid program.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB744, Committee Report 1st House, Substituted: a negative impact of ($44,351,331) 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	($884,194)
2011	($43,467,137)
2012	($65,869,055)
2013	($88,964,389)
2014	($90,262,624)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *GR Match For Medicaid* 758	Probable (Cost) from *Federal Funds* 555
2010	($884,194)	($2,452,582)
2011	($43,467,137)	($62,906,555)
2012	($65,869,055)	($95,040,399)
2013	($88,964,389)	($128,099,216)
2014	($90,262,624)	($129,951,667)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	0.0
2011	14.0
2012	20.0
2013	28.0
2014	29.0

Fiscal Analysis

The bill requires that, during the state fiscal biennium beginning September 1, 2009, the Medicaid medically needy program that serves certain pregnant women, children, and caretakers must, at a minimum, 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. The bill requires the Health and Human Services Commission (HHSC) to expand the number of recipients served and the services provided only if for any portion of the period beginning September 1, 2009 and ending December 31, 2010 the state's Federal Medical Assistance Percentage (FMAP) is increased by the percent specified in Section 5001(c)(3)(A)(ii) or (iii), Additional Relief Based on Increase in Unemployment, of the American Recovery and Reinvestment Act of 2009 (ARRA) and the receipt of federal funds resulting from the increased FMAP results in general revenue funds otherwise appropriated to HHSC becoming available to restore the medically needy program. HHSC would be authorized to use appropriated funds that become available for purposes of restoring the program and would not be required to obtain prior approval from the governor, Legislative Budget Board, or any other person or entity before using the funds. The bill also requires state agencies to request any federal waiver or authorization necessary to implement any provisions of the bill and authorizes them to delay implementation until the waivers or authorizations are granted.

Methodology

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. Although the bill indicates that services are to be provided during the state fiscal biennium beginning September 1, 2009, it is assumed that services would continue to be provided in fiscal years 2012 through 2014.

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 the bill is estimated to be $3.3 million All Funds in fiscal year 2010, $106.4 million All Funds in fiscal year 2011, $160.9 million All Funds in fiscal year 2012, $217.1 million All Funds in fiscal year 2013, and $220.2 million All Funds in fiscal year 2014. These amounts include a cost to General Revenue Funds of $0.9 million in fiscal year 2010, $43.5 million in fiscal year 2011, $65.9 million in fiscal year 2012, $89.0 million in fiscal year 2013, and $90.3 million 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. The total cost would depend upon when during the biennium the unemployment increases specified in ARRA are reached; the cost could be less if it occurred later in the biennium, delaying restoration of the program.

The effects of an improved Federal Funds matching rate due to unemployment provisions of the ARRA legislation (stimulus) will affect the amounts of appropriated General Revenue made available to the agency, and thus the net cost to the state. However, the General Revenue available would be governed by provisions of the 2010-11 General Appropriations Act and final funding amounts included for Medicaid. Additionally, the provision allowing use of the funding without prior approval may conflict with provisions of the General Appropriations Act. For a reference, see the 2008-09 GAA, Article II, Special Provisions Sec.7 Disposition of State Funds Available Resulting from Federal Match Ratio Change (page II-92).

Technology

Technology costs included above total $0.2 million All Funds, including $0.1 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