

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: HB787 by Cohen (Relating to eligibility for the child health plan.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB787, As Introduced: a negative impact of (\$107,303,011) 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	(\$37,703,213)
2011	(\$69,599,798)
2012	(\$75,333,165)
2013	(\$75,800,178)
2014	(\$74,478,926)

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 Premium Co-payments 3643	Probable (Cost) from Experience Rebates- CHIP 8054
2010	(\$3,275,969)	(\$34,427,244)	(\$3,979,500)	(\$1,974,733)
2011	(\$6,102,174)	(\$63,497,624)	(\$5,357,385)	(\$3,678,416)
2012	(\$6,607,965)	(\$68,725,200)	(\$5,840,400)	(\$3,983,361)
2013	(\$6,653,097)	(\$69,147,081)	(\$6,065,655)	(\$4,010,884)
2014	(\$6,542,601)	(\$67,936,325)	(\$6,170,925)	(\$3,944,096)

Fiscal Year	Probable (Cost) from Vendor Drug Rebates- CHIP 8070	Probable (Cost) from Federal Funds 555	Probable Revenue Gain from Premium Co-payments 3643	Probable Revenue Gain from Experience Rebates- CHIP 8054
2010	(\$2,122,170)	(\$95,008,424)	\$3,979,500	\$1,974,733
2011	(\$3,937,981)	(\$176,325,161)	\$5,357,385	\$3,678,416
2012	(\$4,262,961)	(\$190,941,886)	\$5,840,400	\$3,983,361
2013	(\$4,292,416)	(\$192,129,784)	\$6,065,655	\$4,010,884
2014	(\$4,220,940)	(\$188,783,293)	\$6,170,925	\$3,944,096

Fiscal Year	Probable Revenue Gain from Vendor Drug Rebates-CHIP 8070
2010	\$2,122,170
2011	\$3,937,981
2012	\$4,262,961
2013	\$4,292,416
2014	\$4,220,940

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 3 makes the new income eligibility level applicable to determinations of eligibility made on or after the effective date of the bill, regardless of the date of application for coverage.

Section 2 increases from 185 percent of FPL to 285 percent of FPL the threshold at which a review of income during the sixth month of enrollment is required. Section 4 makes the new threshold applicable to enrollees beginning on the effective date of the bill, regardless of the date the enrollment period began.

Section 5 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 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. It is assumed that beginning September 1, 2009, income reviews during the sixth month of enrollment will be done only for families with income above 285 percent of FPL. All other costs and program policies are maintained at the level assumed for children at or below 200 percent of 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 and increasing the threshold for income review would result in an additional 84,592 average monthly recipient months in fiscal year 2010; 157,573 in fiscal year 2011; 170,636 in fiscal year 2012; 171,815 in fiscal year 2013; and 168,954 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 \$131.6 million All Funds, including \$43.1 million in General Revenue Funds, in fiscal year 2010; \$245.2 million All Funds, including \$78.6 million in General Revenue Funds, in fiscal year 2011; \$265.6 million All Funds, including \$85.2 million in General Revenue Funds, in fiscal year 2012; \$267.4 million All Funds, including \$85.9 million in General Revenue Funds, in fiscal year 2013; and \$262.9 million All Funds, including \$84.6 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 \$8.1 million in fiscal year 2010, \$13.0 million in fiscal year 2011, \$14.1 million in fiscal year 2012, \$14.4 million in fiscal year 2013, and \$14.3 million in fiscal year 2014.

There would also be additional administrative expenditures associated with the expanded program

estimated to be \$9.1 million All Funds, including \$2.6 million in General Revenue Funds, in fiscal year 2010; \$13.7 million All Funds, including \$3.9 million in General Revenue Funds, in fiscal year 2011; \$14.8 million All Funds, including \$4.3 million in General Revenue Funds, in fiscal year 2012; \$14.9 million All Funds, including \$4.3 million in General Revenue Funds, in fiscal year 2013; and \$14.7 million All Funds, including \$4.2 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 the bill is estimated to be \$140.8 million All Funds, including \$45.8 million in General Revenue Funds, in fiscal year 2010 rising to \$277.6 million All Funds, including \$88.8 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.

Technology

Technology costs included above total \$1.0 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, ESi