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: **HB862** by Naishtat (Relating to eligibility for the child health plan program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB862, As Introduced: a negative impact of ($117,921,162) 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	($42,456,166)
2011	($75,464,996)
2012	($81,634,556)
2013	($81,854,539)
2014	($80,257,773)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from *GR Match For Medicaid* 758	Probable (Cost) from *General Revenue Fund* 1	Probable (Cost) from *GR Match For Title XXI* 8010	Probable (Cost) from *Premium Co-payments* 3643
2010	($900,000)	($3,610,570)	($37,945,596)	($4,205,340)
2011	($392,863)	($6,578,396)	($68,493,737)	($16,525,288)
2012	($883,371)	($7,081,074)	($73,670,111)	($30,599,511)
2013	($893,726)	($7,104,418)	($73,856,395)	($31,124,096)
2014	($905,883)	($6,969,022)	($72,382,868)	($31,571,478)

Fiscal Year	Probable (Cost) from *Experience Rebates-CHIP* 8054	Probable (Cost) from *Vendor Drug Rebates-CHIP* 8070	Probable (Cost) from *Federal Funds* 555	Probable Revenue Gain from *Premium Co-payments* 3643
2010	($2,176,590)	($2,339,098)	($105,618,213)	$4,205,340
2011	($3,965,923)	($4,245,776)	($190,581,778)	$16,525,288
2012	($4,268,534)	($4,568,151)	($205,556,511)	$30,599,511
2013	($4,282,937)	($4,583,565)	($206,102,947)	$31,124,096
2014	($4,201,372)	($4,496,275)	($202,040,875)	$31,571,478

Fiscal Year	Probable Revenue Gain from *Experience Rebates-CHIP* 8054	Probable Revenue Gain from *Vendor Drug Rebates-CHIP* 8070
2010	$2,176,590	$2,339,098
2011	$3,965,923	$4,245,776
2012	$4,268,534	$4,568,151
2013	$4,282,937	$4,583,565
2014	$4,201,372	$4,496,275

Fiscal Analysis

Section 2 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. It also increases the threshold at which an assets test may be established from 150 percent of FPL to 250 percent of FPL.

Sections 3 and 5 eliminate the review of income during the sixth month of enrollment currently required for families with income above 185 percent of FPL.

Section 4 requires the executive commissioner of HHSC to develop and implement a CHIP buy-in option for children with a net family income in excess of 300 percent of FPL. This option would require payment of 100 percent of the health benefits plan premium and additional deductibles, coinsurance, or other cost-sharing payments as determined by the executive commissioner and provide for a waiting period. The executive commissioner would be allowed to establish rules and procedures for the buy-in option that differ from those generally applicable to CHIP. To the extent allowed by federal law, the buy-in option would be required to include provisions designed to discourage crowd-out. Section 6 requires the executive commissioner, by January 1, 2010, to adopt rules as necessary to implement the buy-in option.

Section 7 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

Sections 2, 3, and 5: 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 no longer be performed for any family and that the assets test will apply only to families with income above 250 percent 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, eliminating the sixth month income review, and increasing the threshold for the assets test would result in an additional 93,239 average monthly recipient months in fiscal year 2010; 169,889 in fiscal year 2011; 182,852 in fiscal year 2012; 183,469 in fiscal year 2013; and 179,975 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 $145.1 million All Funds, including $47.4 million in General Revenue Funds, in fiscal year 2010; $264.4 million All Funds, including $84.7 million in General Revenue Funds, in fiscal year 2011; $284.6 million All Funds, including $91.2 million in General Revenue

Funds, in fiscal year 2012; $285.5 million All Funds, including $91.7 million in General Revenue Funds, in fiscal year 2013; and $280.1 million All Funds, including $90.1 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 $8.7 million in fiscal year 2010, $13.9 million in fiscal year 2011, $15.0 million in fiscal year 2012, $15.3 million in fiscal year 2013, and $15.2 million in fiscal year 2014.

There would also be additional administrative expenditures associated with the expanded program estimated to be $9.9 million All Funds, including $2.9 million in General Revenue Funds, in fiscal year 2010; $14.7 million All Funds, including $4.2 million in General Revenue Funds, in fiscal year 2011; $15.9 million All Funds, including $4.6 million in General Revenue Funds, in fiscal year 2012; $15.9 million All Funds, including $4.6 million in General Revenue Funds, in fiscal year 2013; and $15.6 million All Funds, including $4.5 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 these sections is estimated to be $155.0 million All Funds, including $50.3 million in General Revenue Funds, in fiscal year 2010 rising to $295.7 million All Funds, including $94.6 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 4: 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 6,981 average monthly recipient months in fiscal year 2011; 15,696 in fiscal year 2012; 15,880 in fiscal year 2013; and 16,096 in fiscal year 2014. The average cost per recipient month is estimated to be $129.69 in each fiscal year. The client services cost of the project is estimated to be $10.9 million in fiscal year 2011, $24.4 million in fiscal year 2012, $24.7 million in fiscal year 2013, and $25.0 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; $0.8 million All Funds, including $0.4 million in General Revenue Funds, in fiscal year 2011 and $1.8 million All Funds, including $0.9 million in General Revenue Funds, in fiscal year 2012 and subsequent years. 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 4 is estimated to be $1.8 million All Funds, including $0.9 million in General Revenue Funds, in fiscal year 2010 rising to $26.9 million All Funds, including $26.0 million in General Revenue Funds, by fiscal year 2014. These General Revenue amounts include expenditure of collected Premium Copayments.

The total net cost of the bill is estimated to be $156.8 million All Funds, including $51.2 million in General Revenue Funds, in fiscal year 2010 increasing to $322.6 million All Funds, including $120.5 million in General Revenue Funds, by fiscal year 2014.

Technology

Technology costs included above total $2.0 million All Funds, including $0.8 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, JJ, SJ