LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 1, 2009

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

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

IN RE: **HB1541** by Turner, Sylvester (Relating to the period of continuous eligibility for the Medicaid program.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1541, Committee Report 1st House, Substituted: 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 *GR Match For Medicaid* 758	Probable (Cost) from *Federal Funds* 555	Probable (Cost) from *Vendor Drug Rebates-Medicaid* 706	Probable Revenue Gain from *Vendor Drug Rebates-Medicaid* 706
2010	($90,874,328)	($134,458,225)	($3,025,662)	$3,025,662
2011	($205,812,580)	($306,507,946)	($6,944,006)	$6,944,006
2012	($205,711,095)	($306,612,813)	($6,940,624)	$6,940,624
2013	($205,711,095)	($306,612,813)	($6,940,624)	$6,940,624
2014	($205,711,095)	($306,612,813)	($6,940,624)	$6,940,624

Fiscal Year	Change in Number of State Employees from FY 2009
2010	(150.0)
2011	(306.0)
2012	(306.0)
2013	(306.0)
2014	(306.0)

Fiscal Analysis

The bill would authorize a 12 month period of continuous enrollment in Medicaid for children less than 19 years of age. This authorization would be contingent upon 1) an increase in the state's federal medical assistance percentage (FMAP) due to certain unemployment increase provisions of the Amercian Recovery and Reinvestment Act of 2009 (ARRA); and 2) appropriated General Revenue becoming available from the increase in FMAP. The agency would not be required to obtain prior approval from the Governor or Legislative Budget Board to use the funding for the purposes of the bill.

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 Section 3 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 subsequent years. This includes expenditure of additional vendor drug rebates. However, the total cost would depend upon when during the biennium the unemployment increases specified in ARRA reached Tier 2; the cost could be less if it occurred later in the biennium. However, costs could also be higher if Medicaid caseloads increase above those estimated.

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).

Local Government Impact

Local governments that operate public hospitals and clinics could see increases in revenue due to more children being enrolled in Medicaid under the provisions of the bill.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JOB, CL, PP, MB