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: **HB1541** by Turner, Sylvester (Relating to improving application and eligibility determination processes and efficiencies for certain benefits programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1541, As Introduced: a negative impact of ($341,543,158) 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	($111,805,578)
2011	($229,737,580)
2012	($233,686,095)
2013	($237,886,095)
2014	($241,936,095)

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	($111,805,578)	($155,389,475)	($3,025,662)	$3,025,662
2011	($229,737,580)	($330,432,946)	($6,944,006)	$6,944,006
2012	($233,686,095)	($334,587,813)	($6,940,624)	$6,940,624
2013	($237,886,095)	($338,787,813)	($6,940,624)	$6,940,624
2014	($241,936,095)	($342,837,813)	($6,940,624)	$6,940,624

Fiscal Year	Change in Number of State Employees from FY 2009
2010	467.0
2011	469.0
2012	620.4
2013	775.6
2014	921.8

Fiscal Analysis

SECTION 1: The bill would amend Chapter 531, Government Code by adding Section 531.0992 which would require the Health and Human Services Commission (HHSC) to improve the effectiveness of community outreach efforts with respect to the TANF, Medicaid, CHIP, and SNAP (formerly Food Stamp) benefits programs. It would direct HHSC to increase the capacity of existing outreach efforts implemented through community-based organizations to educate the public about benefits programs, provide assistance to the public in applying for eligibility or recertification of eligibility, assist applicants in resolving problems encountered during the eligibility determination process, and establish a partnership with stakeholders who will provide outreach and application assistance. It would establish additional requirements related to encouraging collaborative proposals for prospective contracts and giving preference to collaborations in awarding contracts. HHSC assumes this section would have a fiscal impact.

SECTION 2: The bill would amend Chapter 531, Government Code, to add Subchapter M-1. This would require HHSC to improve application and eligibility processes and efficiencies for the TANF, Medicaid, CHIP and SNAP programs by directing HHSC to adopt rules on standards for minimum levels of eligibility determination staff, staff qualifications, and maximum caseload levels. It would also require rules to set the eligibility processing timeliness goal at 95%, and would require HHSC to implement a corrective action plan if timeliness falls below 90% for three consecutive months.

The bill would require HHSC to adopt and implement processes designed to reduce procedural denials for people denied because of missing information, and changes the period for providing missing information from 10 calendar days to 10 business days. It would also require HHSC to establish call resolution standards and processes for call center contracts by rule, require all proposals for call center contracts to include a specific description of how the prospective contractor will ensure compliance with the standards, and would direct HHSC to include contract terms regarding the means by which the contractor will ensure compliance. HHSC assumes this section would have a fiscal impact.

SECTION 3: The bill would amend Section 32.0261, Human Resources Code, to provide for a 12 month period of continuous enrollment in Medicaid for children less than 19 years of age. HHSC assumes this section would have a fiscal impact.

SECTION 4: The bill would require the provisions of the bill relating to call center standards to apply to all call center contracts entered into or renewed on or after September 1, 2009.

Methodology

SECTION 1: HHSC indicates they are currently spending $5.9 million annually on outreach for children’s Medicaid and CHIP and $1 million annually for applications assistance contracts. They assume outreach as described by the bill would require a 50 percent increase in expenditures for outreach and an additional $1 million for assistance contracts. It is assumed that implementation of the plan would begin in fiscal year 2010 at a cost of $3.0 million All Funds, including $1.5 million in General Revenue Funds, increasing to $4.0 million All Funds, including $2.0 million in General Revenue Funds, in fiscal year 2011 and beyond. While these outreach actions may result in an increase in caseload for these programs, and therefore an additional cost to the state, no impact is assumed in this cost estimate.

SECTION 2: It is assumed that the staffing ratios would need to be improved by 3.5% to achieve an improved processing time for eligibility determination. This would reduce the caseload per worker from 517 to 500. The estimated costs for additional full-time equivalents and capital costs is $38.9 million in fiscal year 2010, $43.9 million in fiscal year 2011, $52 million in fiscal year 2012, $60.4 million in fiscal year 2013, and $68.5 million in fiscal year 2014. Approximately half of these amounts would be General Revenue.

SECTION 3: 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; $512.3 million All Funds, including $212.8 million in General Revenue Funds, in subsequent years. 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.

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