

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: HB1769 by Turner, Sylvester (Relating to the child health plan program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1769, As Introduced: a negative impact of (\$26,416,418) 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	(\$7,045,001)
2011	(\$19,371,417)
2012	(\$21,463,726)
2013	(\$21,384,077)
2014	(\$20,870,985)

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	(\$810,822)	(\$6,234,179)	(\$10,237,785)	(\$488,314)
2011	(\$2,532,068)	(\$16,839,349)	(\$35,319,780)	(\$1,526,524)
2012	(\$2,824,648)	(\$18,639,078)	(\$39,859,410)	(\$1,702,516)
2013	(\$2,813,754)	(\$18,570,323)	(\$39,686,340)	(\$1,695,816)
2014	(\$2,742,165)	(\$18,128,820)	(\$38,576,550)	(\$1,652,793)

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	(\$524,772)	(\$17,873,239)	\$10,237,785	\$488,314
2011	(\$1,634,242)	(\$49,589,709)	\$35,319,780	\$1,526,524
2012	(\$1,822,019)	(\$54,980,880)	\$39,859,410	\$1,702,516
2013	(\$1,814,849)	(\$54,775,915)	\$39,686,340	\$1,695,816
2014	(\$1,768,806)	(\$53,459,741)	\$38,576,550	\$1,652,793

Fiscal Year	Probable Revenue Gain from Vendor Drug Rebates-CHIP 8070
2010	\$524,772
2011	\$1,634,242
2012	\$1,822,019
2013	\$1,814,849
2014	\$1,768,806

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.

Section 4 authorizes HHSC to provide dental benefits at full cost to the enrollee as an available plan option for a child whose net family income is greater than 200 percent but not greater than 300 percent of FPL.

Section 5 maintains current cost sharing requirements for enrollees whose net family incomes are at or below 200 percent of FPL. The bill requires HHSC to require enrollees whose net family incomes are greater than 200 percent but not greater than 300 percent of FPL to pay a share of the cost through copayments, fees, and a portion of the plan premium. The bill requires the amount of the share required to be paid by enrollees with net family income greater than 200 percent but not greater than 300 percent of FPL to exceed the amount required to be paid by those with net family incomes at or below 200 percent of FPL, and to increase incrementally as an enrollee’s net family incomes increases, but the total amount required to be paid, excluding any amounts paid for dental coverage, may not exceed the maximum amount allowed by federal law. The bill requires HHSC to ensure that the cost paid by enrollees with net family income greater than 200 percent but not greater than 300 percent of FPL progressively increases as the number of children in the enrollee’s family provided coverage increases. The bill requires HHSC to develop an option for an enrollee to pay monthly premiums using direct debits to bank accounts or credit cards.

Section 6 provides that the waiting period for enrollment for a child whose net family income is greater than 200 percent but not greater than 300 percent of FPL is 180 days. It maintains the current waiting period of 90 days for a child whose net family income is at or below 200 percent of FPL. Certain children with serious or chronic medical conditions would have additional expenditures included in the calculation of the cost of existing health benefits plan coverage for purposes of determining whether they are exempt from the waiting period because they terminated existing coverage because the cost exceeded ten percent of the family’s net income.

Section 7 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 that premiums be based on the average cost per child of all children enrolled in the child health plan program and that they increase progressively as the number of children in the enrollee’s family increase. Additionally the 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; provide for a waiting period; and include an option for an enrollee to pay monthly premiums using direct debits, bank accounts, or credit cards. 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. Point-of-service copays would be required of participants at a level that exceeds those for a child whose net family income is at or below 300 percent of FPL. The buy-in program would also be required to include a lock-out period designed to discourage individuals from electing to discontinue coverage when the individual’s children are healthy. All eligible children in a family would be required to enroll if one child enrolls unless certain exceptions apply. Section 8 requires the executive commissioner, by January 1, 2010, to adopt rules as necessary to implement the buy-in option.

Section 9 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, 4, 5, and 6: It is assumed that it will take three months for the agency to obtain the necessary waivers and authorizations and to perform the required start-up activities to implement the provisions found in these sections. It is assumed that beginning December 1, 2009 clients between 200 and 300 percent of FPL will begin enrolling in CHIP. It is assumed that monthly cost-sharing will be established in the amount of \$45 per child for families between 200 and 250 percent of FPL and \$60 per child for families between 250 and 300 percent FPL; these amounts are assumed to include the cost of dental benefits. It is assumed that beginning December 1, 2009 a waiting period of 180 days will apply to certain recipients above 200 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 the cumulative impact of the policy changes included in these sections would result in an additional 20,918 average monthly recipient months in fiscal year 2010; 65,392 in fiscal year 2011; 72,931 in fiscal year 2012; 72,644 in fiscal year 2013; and 70,801 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 \$32.6 million All Funds, including \$17.3 million in General Revenue Funds, in fiscal year 2010; \$101.8 million All Funds, including \$56.2 million in General Revenue Funds, in fiscal year 2011; \$113.5 million All Funds, including \$63.0 million in General Revenue Funds, in fiscal year 2012; \$113.1 million All Funds, including \$62.8 million in General Revenue Funds, in fiscal year 2013; and \$110.2 million All Funds, including \$61.1 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 \$11.3 million in fiscal year 2010, \$38.5 million in fiscal year 2011, \$43.4 million in fiscal year 2012, \$43.2 million in fiscal year 2013, and \$42.0 million in fiscal year 2014.

There would also be additional administrative expenditures associated with the expanded program estimated to be \$3.6 million All Funds, including \$1.0 million in General Revenue Funds, in fiscal year 2010; \$5.7 million All Funds, including \$1.6 million in General Revenue Funds, in fiscal year 2011; \$6.3 million All Funds, including \$1.8 million in General Revenue Funds, in fiscal year 2012; \$6.3 million All Funds, including \$1.8 million in General Revenue Funds, in fiscal year 2013; and \$6.1 million All Funds, including \$1.8 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 \$36.2 million All Funds, including \$18.3 million in General Revenue Funds, in fiscal year 2010 rising to \$116.3 million All Funds, including \$62.9 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 7: The cost of this section cannot be determined. HHSC indicates that the requirement that the cost of the buy-in program be established based on the average cost per child of all children enrolled in the child health plan would likely result in an increase in average cost for participants in CHIP as adverse selection is likely to result in a higher cost due to a higher acuity level for buy-in participants, in effect causing CHIP participants to “subsidize” buy-in participants. HHSC indicates it is unlikely

that the Centers for Medicare and Medicaid Services will provide federal matching funds for the increase in average costs resulting from higher cost clients not eligible for the federal CHIP program. It is assumed that any difference between premiums collected for buy-in children and actual cost for these specific children would have to be funded with unmatched General Revenue Funds; these amounts cannot be estimated.

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, JJ, SJ