

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**March 17, 2009**

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

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

**IN RE: HB2206** by Gonzales (Relating to eligibility for the child health plan program.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2206, As Introduced: a negative impact of (\$95,513,514) 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)<br>Impact to General Revenue Related<br>Funds |
|-------------|--|
| 2010        | (\$31,410,834)   |
| 2011        | (\$64,102,680)   |
| 2012        | (\$71,200,710)   |
| 2013        | (\$72,693,636)   |
| 2014        | (\$72,141,831)   |

**All Funds, Five-Year Impact:**

| Fiscal Year | Probable (Cost) from<br><i>General Revenue Fund</i><br>1 | Probable (Cost) from<br><i>GR Match For Title</i><br><i>XXI</i><br>8010 | Probable (Cost) from<br><i>Premium Co-payments</i><br>3643 | Probable (Cost) from<br><i>Experience Rebates-</i><br><i>CHIP</i><br>8054 |
|-------------|--|---|--|---|
| 2010        | (\$2,737,497)  | (\$28,673,337)  | (\$3,979,500)  | (\$1,650,598)   |
| 2011        | (\$5,630,621)  | (\$58,472,059)  | (\$5,357,385)  | (\$3,394,177)   |
| 2012        | (\$6,253,133)  | (\$64,947,577)  | (\$5,840,400)  | (\$3,769,621)   |
| 2013        | (\$6,386,973)  | (\$66,306,663)  | (\$6,065,655)  | (\$3,850,182)   |
| 2014        | (\$6,341,841)  | (\$65,799,990)  | (\$6,170,925)  | (\$3,823,220)   |

| Fiscal Year | Probable (Cost) from<br><i>Vendor Drug Rebates-</i><br><i>CHIP</i><br>8070 | Probable (Cost) from<br><i>Federal Funds</i><br>555 | Probable Revenue<br>Gain from<br><i>Premium Co-payments</i><br>3643 | Probable Revenue<br>Gain from<br><i>Experience Rebates-</i><br><i>CHIP</i><br>8054 |
|-------------|--|---|---|--|
| 2010        | (\$1,773,835)  | (\$79,159,663)                                      | \$3,979,500   | \$1,650,598  |
| 2011        | (\$3,633,685)  | (\$162,405,160)                                     | \$5,357,385   | \$3,394,177  |
| 2012        | (\$4,034,219)  | (\$180,473,149)                                     | \$5,840,400   | \$3,769,621  |
| 2013        | (\$4,120,434)  | (\$184,258,324)                                     | \$6,065,655   | \$3,850,182  |
| 2014        | (\$4,091,579)  | (\$182,862,965)                                     | \$6,170,925   | \$3,823,220  |

| <b>Fiscal Year</b> | <b>Probable Revenue<br/>Gain from<br/>Vendor Drug<br/>Rebates-CHIP<br/>8070</b> |
|--------------------|---|
| 2010               | \$1,773,835   |
| 2011               | \$3,633,685   |
| 2012               | \$4,034,219   |
| 2013               | \$4,120,434   |
| 2014               | \$4,091,579   |

## **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 2 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. All other costs and program policies are maintained at the level assumed for children at or below 200 percent 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 would result in an additional 70,707 average monthly recipient months in fiscal year 2010; 145,397 in fiscal year 2011; 161,480 in fiscal year 2012; 164,931 in fiscal year 2013; and 163,776 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 \$110.0 million All Funds, including \$36.5 million in General Revenue Funds, in fiscal year 2010; \$226.3 million All Funds, including \$72.9 million in General Revenue Funds, in fiscal year 2011; \$251.3 million All Funds, including \$80.8 million in General Revenue Funds, in fiscal year 2012; \$256.7 million All Funds, including \$82.6 million in General Revenue Funds, in fiscal year 2013; and \$254.9 million All Funds, including \$82.1 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 \$7.4 million in fiscal year 2010, \$12.4 million in fiscal year 2011, \$13.6 million in fiscal year 2012, \$14.0 million in fiscal year 2013, and \$14.1 million in fiscal year 2014.

There would also be additional administrative expenditures associated with the expanded program estimated to be \$7.9 million All Funds, including \$2.3 million in General Revenue Funds, in fiscal year 2010; \$12.6 million All Funds, including \$3.6 million in General Revenue Funds, in fiscal year 2011; \$14.0 million All Funds, including \$4.0 million in General Revenue Funds, in fiscal year 2012; \$14.3 million All Funds, including \$4.1 million in General Revenue Funds, in fiscal year 2013; and \$14.2 million All Funds, including \$4.1 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 \$118.0 million All Funds, including \$38.8 million in

General Revenue Funds, in fiscal year 2010 rising to \$269.1 million All Funds, including \$86.2 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

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