

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 28, 2009

TO: Honorable Lois W. Kolkhorst, Chair, House Committee on Public Health

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

IN RE: HB2686 by Shelton (Relating to a pilot project to increase enrollee access to primary care services and simplify enrollment procedures under the child health plan program.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB2686, Committee Report 1st House, Substituted: a negative impact of (\$4,299,273) 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	(\$2,637,782)
2011	(\$1,661,491)
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable (Cost) from Sup: GR Match For Title XXI (CHIP) 8057	Probable (Cost) from Federal Funds 555
2010	(\$200,810)	(\$2,436,972)	(\$6,010,070)
2011	(\$136,142)	(\$1,525,349)	(\$3,782,058)
2012	\$0	\$0	\$0
2013	\$0	\$0	\$0
2014	\$0	\$0	\$0

Fiscal Analysis

The bill requires the Health and Human Services Commission (HHSC), no later than October 1, 2009, to establish a two-year pilot project in one or more Medicaid service areas that is designed to increase access to primary care services and simplify enrollment procedures for Children's Health Insurance Program (CHIP) enrollees. In establishing the project, the executive commissioner of HHSC must establish provider reimbursement rates for primary care services provided in lower-cost medical-settings that are comparable to Medicare rates for the same or similar services, develop and implement an alternative application for coverage that is written on a sixth-grade reading comprehension level, and require any enrollment services provider to reduce application processing delays and procedural denials and increase renewal rates.

HHSC would further be required to provide at least one point-of-service contact in each county in the pilot's service area where trained personnel are available to assist with the application form and procedures for CHIP coverage. Enrollment in the pilot would be limited to the first year of the project. HHSC would be required to submit a report by January 1, 2011 evaluating the operation of the pilot project and making recommendations regarding the continuation or expansion of the project; a final report would be required no later than 60 days after termination of the pilot.

The pilot project would expire January 1, 2013. State agencies are required to request any federal waiver or authorization necessary to implement any provisions of the bill and are authorized to delay implementation until the waivers or authorizations are granted.

Methodology

HHSC assumes that the pilot project would be implemented in the Tarrant County CHIP service area beginning September 1, 2009 and would extend for two years. Federal approval of the waiver needed to authorize the pilot could delay implementation resulting in lower costs in fiscal year 2010 and extending costs into fiscal year 2012. If the pilot were implemented in a different service area, costs could vary depending on differences in enrollment in other service areas.

HHSC estimates enrollment in the Tarrant County service area of 46,000 children in fiscal year 2010 and 46,874 in fiscal year 2011. Because enrollment in the pilot project is limited to the project's first year, it is assumed that participation in the second year would be 30,728 average monthly children. It is assumed that enrollment simplifications would result in a 2 percent increase to enrollment, or 920 in fiscal year 2010 and 615 in fiscal year 2011. The base cost for providing services is estimated to be \$129.69 in each fiscal year. The estimated base cost of the additional recipient months is \$1.4 million in fiscal years 2010 and \$1.0 million in fiscal year 2011.

HHSC estimates that increasing provider reimbursement rates for primary care services provided in lower-cost medical-settings would increase monthly per recipient costs by \$11.79. The estimated cost of these increases is \$6.6 million in fiscal year 2010 and \$4.4 million in fiscal year 2011. Increased use of care in lower-cost medical-settings should reduce use of emergency care services, but savings cannot be estimated with available information.

Increased administrative expenditures related to the pilot project are estimated to be \$0.5 million in fiscal year 2010 for one-time costs associated with system changes, training, procedure revisions, changes to correspondence and forms, and contractor project management. Increased ongoing costs for eligibility and enrollment broker services and postage are estimated to be \$0.1 million in each fiscal year.

The total cost of the bill is estimated to be \$8.6 million All Funds, including \$2.6 million in General Revenue Funds, in fiscal year 2010 and \$5.4 million All Funds, including \$1.7 million in General Revenue Funds, in fiscal year 2011. 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 are \$100,000 All 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