

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

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

**April 9, 2009**

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

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

**IN RE: HB2834** by Marquez (Relating to an eligibility determination system for the child health plan and Medicaid programs operated by state employees.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2834, As Introduced: a negative impact of (\$166,596,180) 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	(\$24,062,540)
2011	(\$142,533,640)
2012	(\$169,917,396)
2013	(\$171,184,215)
2014	(\$176,153,416)

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

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable (Cost) from <i>Federal Funds</i> 555	Probable Savings from <i>Federal Funds</i> 555	Probable Savings from <i>General Revenue Fund</i> 1
2010	(\$24,062,540)	(\$22,056,787)	\$0	\$0
2011	(\$156,801,642)	(\$155,694,707)	\$19,936,594	\$14,268,002
2012	(\$204,253,224)	(\$203,076,921)	\$47,139,612	\$34,335,828
2013	(\$205,520,043)	(\$203,863,429)	\$47,139,612	\$34,335,828
2014	(\$210,489,244)	(\$208,720,731)	\$47,139,612	\$34,335,828

Fiscal Year	Change in Number of State Employees from FY 2009
2010	657.0
2011	4,406.0
2012	6,368.0
2013	6,523.0
2014	6,682.0

**Fiscal Analysis**

The bill would amend Chapter 531, Government Code, by adding Section 531.0631 requiring HHSC to ensure all initial applications and eligibility recertifications (received/processed through a call

center or local office) for CHIP and Medicaid are processed only by state employees using a new intake system required by the bill. HHSC may operate a call center if HHSC determines it is a useful, cost-effective method to provide that function, but the call center may only be staffed by state staff.

The bill would amend Chapter 531, Government Code, by adding Section 531.192, requiring HHSC to implement an intake system, using only trained state employees who are knowledgeable with respect to the eligibility requirements of CHIP and Medicaid. HHSC may operate a call center to provide an intake function if HHSC determines it to be a useful, cost-effective method to provide that function, but the call center may only be staffed by state employees. HHSC may not contract with a private entity to perform any function of the intake system.

The bill would repeal Section 531.063, Government Code, which required HHSC to establish one to four call centers for purposes of determining and certifying/recertifying a person's eligibility for HHSC benefits programs, if cost-effective. The repealed section also includes provisions that HHSC would contract with at least one to four private entities for the operation of call centers. The repealed section contains provisions related to translation services, customer service, and performance standards.

The bill would direct HHSC not to renew a contract entered into before the effective date of this Act for the establishment of a call center under Section 531.063, Government Code, and stipulates that HHSC may not enter into a new contract for that purpose, on or after the effective date of the Act. During the term of the contract entered into before the effective date of the Act, HHSC must continue to directly operate local offices for the purpose of determining an applicant's eligibility for health and human services programs and allow an applicant to access a local office in lieu of accessing a call center for an eligibility determination. HHSC may not terminate the employment of any state employee whose primary job function involves determining the eligibility of an applicant for health and human services programs on the basis that the performance of those functions is no longer needed.

The bill would require HHSC, not later than January 1, 2010, to submit a plan on how HHSC will re-focus its resources and efforts on the reconstruction of an effective, local-office-based eligibility determination system.

The bill would take effect immediately if it receives a vote of two-thirds of the members of each house; if not it would take effect on September 1, 2009.

## **Methodology**

It is assumed that HHSC would need to hire staff to meet the bill's requirement to process eligibility determinations using only trained and knowledgeable staff. HHSC assumes a staffing to cases ratio similar to what existed prior to enactment of the call center statute (FY 2003). At that time, the standardized case equivalent was 284. Assuming this ratio, HHSC estimates a need for the following numbers of full-time equivalents (FTEs): 657 in fiscal year 2010, 4,406 in fiscal year 2011, 6,368 in fiscal year 2012, 6,523 in fiscal year 2013, and 6,682 in fiscal year 2014. Fiscal year 2010 would be a transition year during which the agency would prepare and obtain federal approval for discontinuing contracts, prepare detailed transition plans, modify automated systems, prepare staffing, training and performance plans for state assumption of contracted duties, obtain space for additional staff, and revise policies and procedures.

The All Funds cost is estimated by HHSC to be \$46.1 million in fiscal year 2010, \$278.3 million in fiscal year 2011, \$325.8 million in fiscal year 2012, \$327.9 million in fiscal year 2013, and \$337.7 million in fiscal year 2014. The savings included (and identified above) relate to the discontinuation of contracts for eligibility support services and for CHIP eligibility determination. The savings are phased in during fiscal year 2011 due to the time needed to accomplish transition activities.

The figures above include HHSC exceptional item #3, to increase eligibility resources for caseload and workload growth, which includes \$56.7 million in General Revenue Funds and \$124.9 million in All Funds. The House Committee Substitute for Senate Bill 1 includes their exceptional item #2, cost growth for current eligibility staffing, which includes \$55 million in General Revenue Funds and \$76.6 million in All Funds for increased operating costs (data center, enrollment broker, postage, other

contracts, etc.) related to the projected 2009 level of eligibility staffing.

The agency indicates that it would need to extend current contracts through May 2011 to accommodate the transition time. Since the bill prohibits extensions of these contracts after the effective date of the bill (September 1, 2009), there would be an issue of continuity of service provision. The federal government has mandated that the current eligibility services contract be competitively procured by June 2010. Assumption of these functions by state staff would require prior federal approval to discontinue procurements in progress and explicit federal approval would be needed to extend the current contracts past the current end date set by federal partner agencies.

HHSC assumes that it would not continue to contract for eligibility support services with respect to Food Stamps, TANF and Refugee services; eligibility for all programs would primarily be determined through a local office-based system.

It is assumed the cost of the plan for local office-based eligibility determination can be absorbed within existing resources.

### **Technology**

There would be a technology impact of:

- One-time automated applications modifications of \$0.5 million in fiscal year 2010.
- Ongoing costs of \$4.6 million in fiscal year 2011 and beyond for state access and use of proprietary systems owned by the current contractor (Maximus) and used for CHIP.
- Seat management, data center services and other costs related to state FTEs of \$2.2 million in fiscal year 2010, \$14.0 million in fiscal year 2011, \$15.1 in fiscal year 2012, \$13.0 million in fiscal year 2013 and \$13.3 million in fiscal year 2014.

### **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, MB