

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 8, 2009

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

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

IN RE: HB4278 by Herrero (Relating to the child health plan program.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB4278, As Introduced: a negative impact of (\$113,498,139) 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	(\$39,718,217)
2011	(\$73,779,922)
2012	(\$79,973,577)
2013	(\$80,537,762)
2014	(\$79,180,024)

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	(\$3,454,942)	(\$36,263,275)	(\$4,238,460)	(\$2,082,373)
2011	(\$6,469,456)	(\$67,310,466)	(\$5,706,555)	(\$3,899,742)
2012	(\$7,015,710)	(\$72,957,867)	(\$6,221,190)	(\$4,229,035)
2013	(\$7,070,180)	(\$73,467,582)	(\$6,461,745)	(\$4,261,787)
2014	(\$6,956,572)	(\$72,223,452)	(\$6,572,730)	(\$4,193,202)

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	(\$2,237,847)	(\$100,087,200)	\$4,238,460	\$2,082,373
2011	(\$4,174,925)	(\$186,915,260)	\$5,706,555	\$3,899,742
2012	(\$4,525,880)	(\$202,703,445)	\$6,221,190	\$4,229,035
2013	(\$4,560,931)	(\$204,136,086)	\$6,461,745	\$4,261,787
2014	(\$4,487,531)	(\$200,697,574)	\$6,572,730	\$4,193,202

Fiscal Year	Probable Revenue Gain from Vendor Drug Rebates-CHIP 8070
2010	\$2,237,847
2011	\$4,174,925
2012	\$4,525,880
2013	\$4,560,931
2014	\$4,487,531

Fiscal Analysis

The bill would require 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. It also increases the threshold at which an assets test may be established from 150 percent of FPL to 250 percent of FPL. The bill would increase the assets a family is allowed to own from \$10,000 to \$20,000. The bill would also increase the value of the highest valued vehicle that is prohibited from consideration in calculating allowable assets, if no vehicle qualifies for an exemption based on its use. The bill would make the new income eligibility level and assets test threshold applicable to determinations of eligibility made on or after the effective date of the bill, regardless of the date of application for coverage.

The bill would increase from 185 percent of FPL to 285 percent of FPL the threshold at which a review of income during the sixth month of enrollment is required. The bill would make the new threshold applicable to enrollees beginning on the effective date of the bill, regardless of the date the enrollment period began.

The bill would authorize HHSC to establish a full cost buy-in program under which a family pays premiums in an amount that fully offsets the cost of coverage under CHIP. The bill provides that a child who is not eligible for CHIP because of the allowable assets test is eligible to participate in the full cost buy-in program.

The bill would require 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. It is assumed that beginning September 1, 2009, income reviews during the sixth month of enrollment will be done only for families with income above 285 percent of FPL and that the revised assets test will apply only to families with income above 250 percent 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 increasing maximum income eligibility for the CHIP program, increasing the threshold for income review, and revising the assets test policy would result in an additional 89,203 average monthly recipient months in fiscal year 2010; 167,053 in fiscal year 2011; 181,160 in fiscal year 2012; 182,562 in fiscal year 2013; and 179,624 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 \$138.8 million All Funds, including \$45.5 million in General Revenue Funds, in

fiscal year 2010; \$260.0 million All Funds, including \$83.4 million in General Revenue Funds, in fiscal year 2011; \$281.9 million All Funds, including \$90.4 million in General Revenue Funds, in fiscal year 2012; \$284.1 million All Funds, including \$91.3 million in General Revenue Funds, in fiscal year 2013; and \$279.5 million All Funds, including \$90.0 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 \$8.6 million in fiscal year 2010, \$13.8 million in fiscal year 2011, \$15.0 million in fiscal year 2012, \$15.3 million in fiscal year 2013, and \$15.3 million in fiscal year 2014.

There would also be additional administrative expenditures associated with the expanded program estimated to be \$9.5 million All Funds, including \$2.8 million in General Revenue Funds, in fiscal year 2010; \$14.5 million All Funds, including \$4.2 million in General Revenue Funds, in fiscal year 2011; \$15.7 million All Funds, including \$4.5 million in General Revenue Funds, in fiscal year 2012; \$15.8 million All Funds, including \$4.6 million in General Revenue Funds, in fiscal year 2013; and \$15.6 million All Funds, including \$4.5 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 cost of the buy-in program cannot be determined. Under the provisions of the bill, children ineligible for CHIP because family assets exceed the allowable level would be eligible for the buy-in program; however, eligibility for the program is not limited to these children and it is impossible to determine who else might be eligible for, and enroll in, the program. The net General Revenue cost of the program would be limited to administrative costs as the bill requires families to pay premiums in an amount that fully offsets the cost of coverage, but administrative costs vary depending on program enrollment.

The total cost of the bill, excluding the buy-in program, is estimated to be \$148.4 million All Funds, including \$48.3 million in General Revenue Funds, in fiscal year 2010 rising to \$295.1 million All Funds, including \$94.4 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

LBB Staff: JOB, CL, PP, LR, JJ, SJ