

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: **HB4320** by Rios Ybarra (Relating to the integration of the application and eligibility determination processes for the child health plan and children's Medicaid programs.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB4320, 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 General Revenue Fund 1	Probable (Cost) from Federal Funds 555	Probable Savings from Federal Funds 555	Probable Savings from General Revenue Fund 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 Government Code, Chapter 531, Section 531.063 Call Centers by adding

531.063 (b) and (e) as follows:

-- 531.063 (b) requires HHSC to operate any call center that processes applications for or determines the eligibility of a child for CHIP or children's Medicaid, using only state employees, and using the single integrated intake system required by Section 531.192 of the bill.

-- 531.063 (e) requires HHSC to apply the existing Call Center statute regarding consumer service and performance standards to each CHIP and children's Medicaid call center operated only by state employees.

The bill would amend Government Code, Chapter 531, Section 531.191 Integrated Eligibility System by amending 531.191(d) to direct that HHSC may continue to contract any or all of the integrated eligibility determination and service delivery system plan except for the single integrated CHIP and children's Medicaid intake system required by Section 531.192 of the bill.

The bill would amend Government Code, Chapter 531, Subchapter F, Texas Integrated Enrollment Services to add 531.192 Integrated Intake System for CHIP and children's Medicaid as follows:

-- 531.192(a) HHSC must implement a single integrated intake system for CHIP and children's Medicaid using only trained state employees who are knowledgeable in CHIP and children's Medicaid eligibility requirements. For each application submitted for one of those programs, the system must allow a single state employee to:

- (1) accept the application;
- (2) conduct any necessary eligibility interview;
- (3) determine whether the applicant is eligible for CHIP or children's Medicaid; and
- (4) if the applicant is eligible for either program, enroll the applicant in the appropriate program.

-- 531.192(b) requires HHSC to not contract with a private entity to perform any function of the single integrated CHIP and children's Medicaid intake system.

The bill would require HHSC to take any action allowed under state law that is necessary to terminate or modify a contract for any part of the intake system for CHIP and children's Medicaid to ensure compliance and operate any CHIP and children's Medicaid call center using only state employees and the single integrated CHIP and children's Medicaid intake system. If the commission is unable to terminate or modify a contract in a manner that is allowed under state law, the commission may continue the contract, but may not renew the contract.

The bill would require that not later than the 30th day after the effective date of this Act, HHSC must submit a report specifying the number of additional full-time equivalent positions the commission needs to operate any CHIP and children's Medicaid call center using only state employees and to use only the single integrated CHIP and children's Medicaid intake 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 would require that all current contracts be terminated by 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 report on an integrated intake system 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, MB, CL