

## LEGISLATIVE BUDGET BOARD

Austin, Texas

### FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 20, 2011

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

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

**IN RE: HB13** by Kolchhorst (Relating to the Medicaid program and alternative methods of providing health services to low-income persons in this state.), **Committee Report 2nd House, Substituted**

The bill is anticipated to result in cost savings to the State, but there is not sufficient information available at this time to estimate those cost savings.

Section One of the bill adds a new chapter to the Government Code. The chapter requires that the Health and Human Services Commission (HHSC) executive commissioner seek a waiver from the federal government to achieve certain objectives regarding the Medicaid program and alternatives to the program. The bill specifies the waiver must provide flexibility in Medicaid eligibility and income levels; provide design flexibility regarding Texas' demographic, public health, clinical, and cultural needs; encourage the use of private health benefits rather than public health benefits; encourage increased access and retention of private employer-based health benefits; create a culture of shared financial responsibility, accountability and participation in the Medicaid program; consolidate federal Medicaid-related funding streams to ensure their most efficient use; allow flexibility in the use of state or other funds used to obtain federal matching funds; promote cost-effective coverage with health care access provided on a sliding scale, with fees paid at the point of service; and allow long-term care services redesign and increase access to cost effective person-centered care.

Section Two of the bill directs the HHSC to actively pursue a modification to the formula prescribed by federal law for determining Texas' federal medical assistance percentage (FMAP) that reflects the total population, the population growth rate, and the percentage of the population with household incomes below the federal poverty level. The bill requires that HHSC pursue the FMAP modification by providing information regarding those factors and their impacts on the Texas Medicaid program to the Texas Congressional delegation, the Centers for Medicare and Medicaid Services, and other appropriate federal agencies. The bill also directs the HHSC to make efforts to obtain additional federal Medicaid funding for Medicaid services required to be provided to illegal immigrants in Texas. Section Two of the bill expires September 1, 2013.

Section Three of the bill establishes the Medicaid Reform Waiver Legislative Oversight Committee ("Committee") composed of four senators appointed by the Lieutenant Governor and four representatives appointed by the Speaker of the House of Representatives. The bill specifies that the Lieutenant Governor appoints the Committee's presiding officer. The Committee is charged with facilitating the design and development of the Medicaid reform waiver established by Section One of the bill and the smooth transition into the new payment and benefit design models. The bill specifies that the Committee shall use the existing staff of the Senate, House of Representatives, and Texas Legislative Council. The bill requires the Committee to submit a report with certain specified information to the Lieutenant Governor and Speaker of the House by November 15, 2012. Section Three of the bill expires on September 1, 2013, and the Committee is abolished on that date.

The bill would take effect on September 1, 2011, unless it receives a two-thirds vote of each house, in which case it would take effect immediately.

Section One of the bill relating to the Medicaid waiver is expected to result in a net cost savings to the

State, but there is not sufficient information available at this time to estimate its fiscal implications. Section One is assumed to have costs to HHSC resulting from information technology requirements, staff hiring and training, contract procurement, and community outreach. However, it is assumed that any costs resulting from Section One would be surpassed by overall savings to the extent that the waiver effort successfully results in flexibility in certain federal mandates and other cost saving measures specified in Section One. Section Two of the bill is anticipated to be implemented by HHSC with existing resources. Section Three of the bill is anticipated to be implemented by the staff of the Senate, House of Representatives, and Texas Legislative Council with existing resources.

### **Local Government Impact**

The fiscal implications of the bill cannot be determined at this time.

**Source Agencies:** 103 Legislative Council, 320 Texas Workforce Commission, 454 Department of Insurance, 529 Health and Human Services Commission

**LBB Staff:** JOB, CL, MB, AM