LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 4, 2011

TO: Honorable Richard Pena Raymond, Chair, House Committee on Human Services

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

IN RE: **HB1468** by Hernandez Luna (Relating to the child health plan program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1468, As Introduced: a negative impact of ($16,265,201) through the biennium ending August 31, 2013.

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
2012	($6,525,344)
2013	($9,739,857)
2014	($9,877,769)
2015	($10,033,337)
2016	($10,158,471)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from *General Revenue Fund* 1	Probable Savings/ (Cost) from *Premium Co-payments* 3643	Probable Savings/ (Cost) from *Federal Funds* 555	Probable Revenue Gain from *Premium Co-payments* 3643
2012	($6,525,344)	($7,751,512)	($15,890,814)	$7,751,512
2013	($9,739,857)	($15,578,572)	($22,966,178)	$15,578,572
2014	($9,877,769)	($15,732,739)	($23,235,771)	$15,732,739
2015	($10,033,337)	($15,794,956)	($23,601,717)	$15,794,956
2016	($10,158,471)	($15,842,731)	($23,896,075)	$15,842,731

Fiscal Analysis

SECTION 2 of 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 would also increase the threshold at which an assets test may be established from 150 percent of FPL to 250 percent of FPL.

SECTION 3 of 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.

SECTION 4 of the bill would maintain current cost sharing requirements for enrollees whose net family incomes are at or below 200 percent of FPL. Enrollees whose net family income is greater than 200 percent but not greater than 300 percent of FPL would be required to pay a share of the cost through copayments, fees, and a portion of the plan premium. The amount of the share required to be paid by enrollees with net family income greater than 200 percent but not greater than 300 percent of FPL would be required to exceed the amount required to be paid by those with net family incomes at or below 200 percent of FPL, and to increase incrementally as an enrollee's net family incomes increases, but the total amount required to be paid could not exceed five percent of an enrollee's net family income. The cost paid by enrollees with net family income greater than 200 percent but not greater than 300 percent of FPL would be required to progressively increase as the number of children in the enrollee's family provided coverage increases. HHSC would be required to specify the manner of payment for any portion of the plan premium required to be paid and to develop an option for an enrollee to pay monthly premiums using direct debits to bank accounts or credit cards.

SECTION 5 of the bill would require the executive commissioner of HHSC to develop and implement a CHIP buy-in option for children with a net family income in excess of 300 percent of FPL. This option would require that premiums be based on the average cost per child of all children enrolled in the child health plan program and that they increase progressively as the number of children in the enrollee's family increase. Additionally the option would require payment of 100 percent of the health benefits plan premium and additional deductibles, coinsurance, or other cost-sharing payments as determined by the executive commissioner; provide for a waiting period; and include an option for an enrollee to pay monthly premiums using direct debits, bank accounts, or credit cards. The executive commissioner would be allowed to establish rules and procedures for the buy-in option that differ from those generally applicable to CHIP. To the extent allowed by federal law, the buy-in option would be required to include provisions designed to discourage crowd-out. SECTION 6 of the bill would require the executive commissioner, by January 1, 2012, to adopt rules as necessary to implement the buy-in option.

SECTION 7 of the bill requires 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

SECTIONs 2-4: It is assumed that it will take six months for the agency to obtain the necessary waivers and authorizations and to perform the required start-up activities to implement the provisions found in these sections. HHSC estimates that beginning March 1, 2012 clients between 200 and 300 percent of FPL will begin enrolling in CHIP. It is assumed that monthly cost-sharing will be established in the amount of $92.66 per child for families between 200 and 250 percent of FPL and $105.41 per child for families between 250 and 300 percent FPL. It is assumed that beginning March 1, 2012 income reviews during the sixth month of enrollment will be done only for families with income above 285 percent of FPL and that the 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.

It is estimated that the cumulative impact of the policy changes included in these sections would result in an additional 16,415 average monthly recipient months in fiscal year 2012; 27,990 in fiscal year 2013; 28,346 in fiscal year 2014; 28,616 in fiscal year 2015; and 28,872 in fiscal year 2016. The average cost per recipient month is estimated to be $137.37 in each fiscal year. The additional cost to the program from higher caseloads would be $27.1 million in fiscal year 2012, $46.1 million in fiscal year 2013, $46.7 million in fiscal year 2014, $47.2 million in fiscal year 2015, and $47.6 million in fiscal year 2016. These amounts include expenditure of additional collections of Premium Copayments totaling $7.8 million in fiscal year 2012, $15.6 million in fiscal year 2013, $15.7 million in fiscal year 2014, and $15.8 million in fiscal years 2015 and 2016.

There would also be additional administrative expenditures associated with the expanded program estimated to be $3.1 million in fiscal year 2012, $2.1 million in fiscal years 2013 and 2014, and $2.3 million in fiscal years 2015 and 2016. These amounts include one-time costs for system changes and policy implementation and ongoing costs for eligibility contractor services.

The total cost of these sections is estimated to be $30.2 million All Funds, including $14.3 million in General Revenue Funds, in fiscal year 2012 rising to $49.9 million All Funds, including $26.0 million in General Revenue Funds, by fiscal year 2016. 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.

SECTION 5: The cost of this section cannot be determined. HHSC indicates that the requirement that the cost of the buy-in program be established based on the average cost per child of all children enrolled in the child health plan would likely result in an increase in average cost for participants in CHIP as adverse selection is likely to result in a higher cost due to a higher acuity level for buy-in participants, in effect causing CHIP participants to “subsidize” buy-in participants. HHSC indicates it is unlikely that the Centers for Medicare and Medicaid Services will provide federal matching funds for the increase in average costs resulting from higher cost clients not eligible for the federal CHIP program. It is assumed that any difference between premiums collected for buy-in children and actual cost for these specific children would have to be funded with unmatched General Revenue Funds; these amounts cannot be estimated.

Technology

Technology costs included above total $1.0 million All Funds, including $0.3 million in General Revenue Funds, in fiscal year 2012 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, LR, MB, NB