

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**March 26, 2013**

**TO:** Honorable Lois W. Kolkhorst, Chair, House Committee on Public Health

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2401** by McClendon (Relating to the provision of community-based services to individuals who have or may have mental illness.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2401, As Introduced: a negative impact of (\$176,521,450) through the biennium ending August 31, 2015. This cost could be offset by delivery system reform incentive payments received under the Texas Health Care Transformation and Quality Improvement Program 1115 waiver to the extent such payments provide funding for the cost of community-based alternatives.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2014	(\$88,240,520)
2015	(\$88,280,930)
2016	(\$88,281,434)
2017	(\$88,281,958)
2018	(\$88,282,494)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund</b>
	<b>1</b>
2014	(\$88,240,520)
2015	(\$88,280,930)
2016	(\$88,281,434)
2017	(\$88,281,958)
2018	(\$88,282,494)

**Fiscal Analysis**

The bill would amend the Health and Safety Code relating to the provision of community-based

services to individuals who have or may have mental illness. Under the provisions of the bill, the Department of State Health Services (DSHS) would be required to ensure the availability of specific services to reduce a patient's acute symptoms of mental illness and any other services necessary to prevent a patient's admission to an inpatient mental health facility. The bill would require that the services include crisis stabilization services, short-term residential treatment, and medical and nursing services and that the services be provided through the local mental health authorities (LMHAs).

Under the provisions of the bill, DSHS shall provide funding for these services to the extent that costs are not paid from the delivery service reform incentive payments (DSRIP) received under the Texas Health Care Transformation and Quality Improvement Program 1115 waiver.

## **Methodology**

DSHS estimates that the requirement to provide crisis stabilization services would require funding for 12 LMHAs for facility-based crisis alternatives because these services do not exist in those areas of the state. It is assumed the cost per facility would be \$1,600,000 in General Revenue per year, for a total cost of \$19,200,000 in General Revenue each year to fund crisis stabilization services.

DSHS estimates that the requirement to provide short term residential treatment would be necessary for 1,333 persons per year, based on state hospital admissions of homeless persons in fiscal year 2012. The cost of a residential treatment program is approximately \$2,800 per person per month. Assuming each person receives six months of services, the cost would be \$22,394,400 in General Revenue a year to fund short term residential treatment.

DSHS estimates that the requirement to provide medical and nursing services will be necessary for sixty percent of individuals admitted to state hospitals. In fiscal year 2012, sixty percent of the 14,487 persons admitted did not have Medicaid or private insurance coverage. The cost to purchase coverage through the Pre-Existing Condition Insurance Plan is assumed to be \$3,828 per person per year. Assuming that DSHS provides health care coverage to 8,692 (sixty percent of admitted persons), the cost would be \$33,273,742 in General Revenue each year to fund medical and nursing services.

DSHS estimates that the requirement to provide other necessary services will cost \$3,600 per person per year. In fiscal year 2012, twenty five percent of admitted persons required other services not listed above. It is assumed the cost of providing other necessary services will cost \$13,038,300 in General Revenue each year to fund medical and nursing services.

This analysis does not assume any savings from reduced inpatient admissions; it is assumed that existing inpatient capacity is insufficient to fully meet demand and any diversion to community services would reduce unmet demand and not inpatient expenditures.

This analysis does not estimate the amount of expenses above that would be offset by delivery system reform incentive payments received under the Texas Health Care Transformation and Quality Improvement Program 1115 waiver. However, the expenses assumed in this estimate would be decreased to the extent such payments provide funding for the cost of community-based alternatives. Depending on the availability of funding, project selection, and state and federal approvals, such savings could be significant.

DSHS anticipates needing four additional FTEs to implement the programs and provide contract management. The FTEs would be hired in the second quarter of fiscal year 2014. The agency can

absorb the additional FTE authority within its existing FTE cap. The additional FTEs would cost \$176,484 in salary and wages and \$52,486 in benefits in fiscal year 2014 and \$235,311 in salary and wages and \$69,981 in benefits in each subsequent year. The other operating expenses and travel costs associated with the FTEs are estimated to be \$105,108 in fiscal year 2014 and \$69,196 in fiscal year 2015. The total cost to General Revenue is \$334,078 in fiscal year 2014 and \$374,488 in fiscal year 2015.

### **Local Government Impact**

The bill would require DSHS to provide funding and contract with local mental health authorities to provide community-based alternatives to inpatient hospitalization. Fiscal impact to local governments would vary depending on how funding is disbursed and the terms of future contracts.

**Source Agencies:** 537 State Health Services, Department of

**LBB Staff:** UP, CL, CH, LR, NB, KKR