LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 16, 2013

TO: Honorable Jim Pitts, Chair, House Committee on Appropriations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3376** by Turner, Sylvester (Relating to expanding eligibility for medical assistance to certain persons under the federal Patient Protection and Affordable Care Act and ensuring the provision of quality care under and the effectiveness of the medical assistance program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3376, As Introduced: a negative impact of ($50,432,769) through the biennium ending August 31, 2015 for costs associated with expanding Medicaid to newly eligible individuals. Currently indeterminate savings due to an expected decreased need for state programs serving uninsured persons and increased premium tax revenues due to a higher Medicaid caseload are estimated to more than offset these costs, resulting in a net positive fiscal impact for the biennium.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	($1,782,156)
2015	($48,650,613)
2016	($91,749,542)
2017	($340,359,274)
2018	($416,395,212)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *GR Match For Medicaid* 758	Probable Savings/(Cost) from *Federal Funds* 555
2014	($1,782,156)	($720,282,831)
2015	($48,650,613)	($3,278,573,543)
2016	($91,749,542)	($5,237,837,369)
2017	($340,359,274)	($5,161,085,883)
2018	($416,395,212)	($5,146,446,602)

Fiscal Analysis

The bill would amend Chapter 32 of the Human Resources Code, related to expanding eligibility for medical assistance to certain persons under the federal Patient Protection and Affordable Care Act (PPACA) and ensuring the provision of quality care under and the effectiveness of the medical assistance program. The bill would direct the Health and Human Services Commission (HHSC) to expand medical assistance to persons eligible for federal matching funds under the PPACA. The bill does not provide authority to HHSC to expand medical assistance to undocumented immigrants. HHSC would be required to adopt rules regarding the provisions of the bill.

In the event the federal portion of the federal medical assistance percentage (FMAP) decreases below what was provided for in the PPACA, the bill would require HHSC to alert the Legislative Budget Board, cease providing medical assistance to the expansion group on the first day of the month following the FMAP change, and reinstate the medical assistance eligibility criteria that existed on December 31, 2013. The bill also directs the HHSC executive commissioner to seek a waiver or other authorization from the appropriate federal agency to implement cost-sharing for the expansion group.

HHSC would be required to report annually to the Governor, the Lieutenant Governor, the Speaker of the House, and the appropriate standing committees of the Senate and House of Representatives the effects of the expansion on the number of uninsured in the state as well as state health care costs, local health care costs, and charity care and uncompensated care costs for hospitals.

The bill would take effect immediately if it receives a two-thirds vote in each house; otherwise it would take effect on September 1, 2013. HHSC would be required to take all necessary actions to implement the program beginning January 1, 2014. The bill's provisions would apply only to persons initially determined eligible or recertified on or after that date. If, however, a state agency determines that a waiver or other federal authorization is necessary for implementation of a provision of the bill, the agency may delay implementing the provision until after the authorization is granted.

Methodology

The cost estimate to implement the bill assumes that Medicaid eligibility will be expanded to adults at or below 138% of the Federal Poverty Level (FPL) and that the federal portion of the FMAP does not decrease below what is currently provided for in the PPACA, including 100 percent for the state fiscal 2014-15 biennium. Administration costs are calculated using a 50/50 federal-state match. The estimate assumes an implementation date of January 1, 2014, with a participation phase-in over the first 24 months and an uptake rate of 65 percent.

The estimate does not include clients eligible but not enrolled in the current Medicaid program since the fiscal impact of this group of clients is not expected to be significant. Additionally, it does not include non-citizens who are not generally eligible for full Medicaid benefits under PPACA. However, the estimate accounts for the cost of additional Emergency Medicaid services to non-citizens, as required by federal law. The estimate also includes an offset due to a portion of Medicaid Breast and Cervical Cancer Program clients who may be enrolled in the expansion program prior to becoming ill and would therefore be covered by the enhanced federal match.

The estimate does not make any explicit assumptions related to client cost-sharing and it assumes

that the cost of the required annual report would be absorbed within HHSC's current resources.

Costs to implement the bill for the 2014-2015 biennium are estimated at $50.4 million General Revenue Funds (GR) and $4.0 billion All Funds (AF) to expand Medicaid to approximately 522,000 additional average monthly clients by the end of the two-year period. Costs for fiscal years 2014-2018 are estimated at $898.9 million GR and $20.4 billion AF to expand Medicaid to approximately 883,000 additional average monthly clients by the end of the five-year period.

The Health and Human Services Commission reports higher costs to General Revenue and greater gains to Federal Funds associated with the provisions of the legislation than are reflected in this estimate. For the 2014-15 biennium, HHSC reports estimated GR costs of $309.5 million, offset by GR savings resulting in $46.5 in net GR costs and $8.1 billion in Federal Funds gained under the provisions of the bill.

Possible offsetting savings to the state as a result of implementing the provisions of the bill are not included in the estimate. For instance, with more persons becoming insured through Medicaid expansion, there would potentially be a decreased need for programs serving uninsured persons administered through HHSC or the Department of State Health Services (DSHS). Based on estimates provided by HHSC, an additional approximately $58.4 million in GR savings could occur due to clients moving into the Medicaid expansion group from the Texas Women's Health Program and the Medicaid Pregnant Women Program.

HHSC anticipates both a savings and additional revenue for DSHS if the bill were implemented. The agency estimates that DSHS will experience a savings of $167.2 million in GR over the 2014-2015 biennium due to reduced need in programs serving uninsured clients. According to HHSC, DSHS would additionally see an increase of $59.0 million in GR over the 2014-2015 biennium due to some indigent clients becoming eligible for Medicaid resulting in increased reimbursements to DSHS.

The estimate also does not include additional premium tax revenue due to the increased Medicaid caseload. Based on caseload projections for Medicaid expansion, premium tax revenue for services and prescription drugs could result in an additional $28.6 million in GR for the 2014-2015 biennium and $270.5 million in GR for fiscal years 2014-2018. These additional potential savings and revenues would more than offset the GR cost, resulting in a net positive fiscal impact for the bill, all other assumptions held constant.

Local Government Impact

A fiscal impact to local hospitals is expected due to a decrease in uncompensated care (including charity care and bad debt). Based on the assumed increased Medicaid caseload if the bill were implemented, it is estimated that uncompensated care costs to local government hospitals would decrease by $1.6 billion for the 2014-15 biennium and $5.0 billion for fiscal years 2014-2018. In addition, local government hospitals may experience increased revenue due to a possible increase in healthcare utilization among people previously uninsured.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: UP, KK, MB, JTe, NB, ES, LR