

**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: HB3791** by Zerwas (Relating to the creation of a "Texas" solution to issues related to Medicaid, including flexibility in the administration of the Medicaid program, tailored to the needs of the state.), **As Introduced**

**Since the fiscal implications of the bill are dependent on the results of discussions with federal agencies regarding possible changes to the state's administration of Medicaid, the fiscal impact cannot be determined at this time.**

The bill would amend Chapter 531 of the Government Code and add new Chapter 539 regarding the creation of a "Texas" solution to issues related to Medicaid, including flexibility in the administration of the Medicaid program. The bill directs the Health and Human Services Commission (HHSC) to negotiate with appropriate federal agencies for greater autonomy in operating the Medicaid program, including an alternative to Medicaid expansion under the Patient Protection and Affordable Care Act (PPACA). HHSC and/or the Texas Department of Insurance (TDI) would also be required to negotiate for an alternative state health benefit exchange. If the appropriate federal entity authorizes an alternative Medicaid expansion plan or state health benefit exchange, the bill directs HHSC to develop and implement the plan.

The fiscal impact of the bill's provisions related to the existing Medicaid program or a Medicaid expansion is not known at this time since it would depend on any decisions made as a result of negotiations. However, as an example of the potential fiscal impact of Medicaid expansion, a previous analysis conducted by the Legislative Budget Board (LBB) estimates that a Medicaid expansion under current rules of the PPACA would cost approximately \$50 million in General Revenue Funds and \$4 billion in All Funds for the state fiscal 2014-15 biennium.

The LBB projects that Medicaid expansion would cover an additional 522,000 average monthly clients by 2015. This estimate includes one potential offset to the program from certain clients moving into the expansion program under the enhanced FMAP; additional potential offsets due to the expected decreased need for other HHSC and Department of State Health Services (DSHS) programs or increased premium tax revenues were not included. HHSC generally reports higher initial GR costs and Federal Funds revenues, significantly offset by GR savings. HHSC anticipates both a savings and additional revenue for DSHS if the bill were implemented. Assuming a later Medicaid expansion implementation start date of September 1, 2014, HHSC estimates that DSHS will experience a savings of \$115.4 million in GR over the 2014-2015 biennium due to reduced need in programs serving uninsured clients. In addition, HHSC indicates that DSHS would see an increase of \$40.8 million in GR over the 2014-15 biennium due to some indigent clients becoming eligible for Medicaid resulting in increased reimbursements to DSHS.

In the 82nd Legislative Session, TDI provided a fiscal estimate for House Bill 636, related to creating a state healthcare exchange. Based on that analysis, TDI estimates the cost to establish the exchange could total \$334 million in All Funds, but would be dependent upon the negotiations with the appropriate federal agencies and may be substantially mitigated by the use of existing infrastructure. Additionally, TDI indicates that operational costs may be funded with a 3.5 percent user fee assessed on all premium volume flowing through the exchange.

The bill would take effect immediately if it receives a vote of two-thirds in each house; otherwise it would take effect on September 1, 2013.

### **Local Government Impact**

If administration of the Texas Medicaid program changes or the program is expanded, an impact to local hospitals is possible due to an effect on uncompensated care costs. However, the fiscal implications are dependent on decisions about the Medicaid program and therefore cannot be determined at this time.

**Source Agencies:** 304 Comptroller of Public Accounts, 454 Department of Insurance, 529 Health and Human Services Commission

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