# LEGISLATIVE BUDGET BOARD
## Austin, Texas

## FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

**March 11, 2013**

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

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

**IN RE:** **SB58** by Nelson (Relating to integrating behavioral health and physical health services provided under the Medicaid program using managed care organizations.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB58, As Introduced: a positive impact of $1,129,297 through the biennium ending August 31, 2015.

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 |
|---|---|
| 2014 | ($58,578) |
| 2015 | $1,187,875 |
| 2016 | $2,478,173 |
| 2017 | $2,698,190 |
| 2018 | $2,935,233 |

### All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from *GR Match For Medicaid* 758 | Probable Savings/(Cost) from *Federal Funds* 555 | Probable Revenue Gain from *General Revenue Fund* 1 | Probable Revenue Gain from *Foundation School Fund* 193 |
|---|---|---|---|---|
| 2014 | ($58,578) | ($58,578) | $0 | $0 |
| 2015 | $599,046 | $848,524 | $441,622 | $147,207 |
| 2016 | $659,805 | $929,940 | $1,363,776 | $454,592 |
| 2017 | $720,159 | $1,013,862 | $1,483,523 | $494,508 |
| 2018 | $785,186 | $1,104,279 | $1,612,535 | $537,512 |

| Fiscal Year | Change in Number of State Employees from FY 2013 |
|---|---|
| 2014 | 1.0 |
| 2015 | 1.0 |
| 2016 | 1.0 |
| 2017 | 1.0 |
| 2018 | 1.0 |

## Fiscal Analysis

The bill would require the executive commissioner of the Health and Human Services Commission (HHSC) to integrate behavioral and physical health services in Medicaid managed care by September 1, 2014.

## Methodology

It is assumed that one full-time equivalent (FTE) would be needed at the Health and Human Services Commission to make systems changes in fiscal year 2014. Additional systems changes would be made by the Medicaid claims administrator, which would realize offsetting savings, for an estimated net cost of $117,155 in All Funds.

Additional functions to be performed prior to implementation would include conducting member, provider, and stakeholder forums; conducting readiness reviews; amending contracts and agency rules; obtaining approval for an amendment to the Texas Healthcare Transformation and Quality Improvement Program waiver; working with managed care organizations (MCOs) to recruit, credential, and contract with providers; conducting training; and rate setting. It is assumed these tasks could not be accomplished in time to integrate in fiscal year 2014; integration and associated client services savings are assumed to begin in fiscal year 2015. It is assumed that one FTE would be needed beginning in fiscal year 2015 to manage additional encounter data from the MCOs. Net savings are estimated at $1.4 million in All Funds in fiscal year 2015, increasing to $1.9 million in All Funds by fiscal year 2018. Estimated savings would be higher if integration could be accomplished in fiscal year 2014.

Increasing benefits provided by managed care plans is assumed to result in an increase to insurance premium tax revenue, estimated as 1.75 percent of expenditures for these benefits. Revenue is adjusted for payment in March for each prior calendar year (an estimated one-third of estimated revenue for each fiscal year is assumed to be collected in that fiscal year with the remainder collected the following fiscal year). Pursuant to Section 227.001(b), Insurance Code, 25 percent of the revenue is assumed to be deposited to the credit of the Foundation School Fund. The remaining 75 percent is deposited to the General Revenue Fund. The increase to premium tax revenue associated with the provisions of the bill is estimated to be $0.6 million in fiscal year 2015, $1.8 million in fiscal year 2016, $2.0 million in fiscal year 2017, and $2.2 million in fiscal year 2018.

No increased expenditures related to the health insurance excise tax included in the Patient Protection and Affordable Care Act are included in this analysis. HHSC has indicated there would need to be an increase to premiums of $0.3 million in fiscal year 2015 increasing to $1.5 million by fiscal year 2018; however, the cost of the tax to MCOs is not required to be covered by the state through premium increases. Additionally, the tax is a sum certain amount to be allocated to health insurance providers subject to the tax and the cost to any one MCO or state cannot be determined at this time.

## Technology

A one-time cost of $345,000 in All Funds for systems changes is included in fiscal year 2014.

## Local Government Impact

There could be an impact to revenue for units of local government, including local mental health authorities and public hospitals, acting as providers of behavioral health services for Medicaid. As the MCOs develop their own networks and reimbursement rates the amount of services provided by units of local government and reimbursement for those services could increase or decrease.

**Source Agencies:** 304 Comptroller of Public Accounts, 529 Health and Human Services Commission, 537 State Health Services, Department of

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