

## **BILL ANALYSIS**

Senate Research Center  
84R1254 KFF-D

S.B. 1585  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The aging population in Texas is increasing and their health care needs are becoming more complex. Texas has the third-largest population of adults over the age of 60 in the United States and that population is estimated to increase by 79 percent by 2025. This means that one in five Texans will be 60 years of age or older by 2025. Additionally, Texas has the second-largest population of people with disabilities, with 41 percent of adults 65 years of age or older having a disability. This has high cost implications for older adults, especially those who require residential care services. In Texas, the average annual cost of residential care can range from \$35,000 to \$67,000. Medicare payment for long-term care services is very limited and only a small portion of the population has long-term care insurance. Medicaid is the largest payer of long-term care services in Texas but individuals still contribute an average of \$715 per month in Medicaid-funded nursing homes, which is almost all of their income. Due to the high cost of long-term care services and lack of payment alternatives for those who do not qualify for Medicaid, residential care services are either not accessible to or bankrupt middle-class Texans.

The purpose of S.B. 1585 is to study the feasibility of developing a cost-effective payment alternative to help Texans cover the cost of residential care. S.B. 1585 requires the Health and Human Services Commission (HHSC), the comptroller of public accounts of the State of Texas (comptroller), and the Department of Aging and Disability Services (DADS) to conduct a study to develop a program modeled after various prepaid higher education tuition programs, including the Texas tomorrow fund.

As proposed, S.B. 1585 directs HHSC, the comptroller, and DADS to conduct a feasibility study on establishing a prepaid investment plan or product to help citizens of this state finance and access residential care.

As proposed, S.B. 1585 amends current law relating to a study on the feasibility of establishing a prepaid investment plan or other product to help citizens of this state finance and access residential care.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. (a) Defines "commission," "executive commissioner," "nursing facility," and "residential care."

(b) Requires the executive commissioner of the Health and Human Services Commission (executive commissioner), in cooperation with the comptroller of public accounts of the State of Texas and the commissioner of aging and disability services, to conduct a study on the feasibility of developing a program that is:

(1) modeled after the prepaid higher education tuition program established under Subchapter F (Prepaid Higher Education Tuition Program), Chapter 54, Education Code;

(2) administered by the state; and

(3) designed to provide a mechanism through which citizens of this state may invest in a prepaid investment plan or other product meant to supplement long-term care insurance by providing participants additional financial support to cover the cost of residential care.

(c) Requires the executive commissioner, in conducting the study under Subsection (b) of this section, to:

(1) evaluate existing systems and programs for providing residential care in this state;

(2) evaluate the economic circumstances of the elderly and low-income populations and persons with disabilities in this state who are in need of residential care;

(3) consider alternative systems and programs for providing and financing residential care that will increase the affordability, sustainability, desirability, quality, and cost-effectiveness of residential care in this state, taking into consideration model systems and programs used in other states;

(4) consult with interested industry stakeholders as well as other appropriate state and federal agencies;

(5) consider ways to encourage participation, coordination, and involvement of the federal government and private sector; and

(6) consider the possibility of developing a tax-advantaged investment plan under which either contributions to the plan are tax-deductible for federal income tax purposes or distributions of earnings from the plan are not subject to federal income tax.

(d) Requires the executive commissioner, not later than November 1, 2016, to submit a written report containing the findings of the study conducted under Subsection (b) of this section together with the executive commissioner's recommendations to the governor and the legislature. Requires that the recommendations include proposals for alternative systems described by Subsection (c)(3) of this section that are developed based on the findings of the study.

(e) Provides that this section expires September 1, 2017.

SECTION 2. Effective date: upon passage or September 1, 2015.