LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 8, 2015

TO: Honorable Richard Peña Raymond, Chair, House Committee on Human Services

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB200** by Nelson (Relating to the continuation and functions of the Health and Human Services Commission and the provision of health and human services in this state.), **As Engrossed**

The fiscal implications of the bill cannot be determined at this time due to the lack of information necessary to make accurate assumptions to determine a fiscal impact. A specific discussion of the elements with fiscal implications is included below.

The bill would partially implement the Sunset Advisory Commission recommendations concerning the Health and Human Services Commission (HHSC). The bill would consolidate, in two phases, portions of the five health and human service agencies into a single health and human services agency. Specifically, client services across the system would be consolidated by 9/1/2016; institutions and regulatory functions would be consolidated by 9/1/2017; and all administrative functions that are feasible and desirable to consolidate would be consolidated by 9/1/2017. Further, prevention programs across the system would be consolidated at the Department of Family and Protective Services (DFPS) by 9/1/2016. The result of these transfers would abolish and transfer the functions of the Department of Assistive and Rehabilitative Services (DARS) by 9/1/2016, and the Department of Aging and Disability Services (DADS) by 9/1/2017.

The bill would require the executive commissioner of HHSC to develop and submit a transition plan by 3/1/2016. The bill would require the plan to define the programs contained in each type of function to be transferred, including client services, regulatory, institutions, public health, and adult and child protective services. The bill would create the Transition Legislative Oversight Committee to facilitate and report on the transfer of functions contained in the bill.

The bill continues the consolidated health and human service agency for 12 years (until 9/1/2027) and requires a limited-scope review by the Sunset Advisory Commission related to progress of the reorganization in 2023. The bill would also continue DFPS and the Department of State Health Services (DSHS) as independent agencies with a Sunset date 9/1/2023. The HHSC executive commissioner and the Transition Legislative Oversight Committee shall study and report, by 9/1/2018, whether DFPS and DSHS should continue independently or be merged into HHSC. The bill would take effect on September 1, 2015.

Based on the analysis provided by HHSC, the cost or savings of the provisions of this bill in fiscal years 2016 and 2017 cannot be determined; there are both costs and savings that would be incurred over this period, and therefore some elements will net out. HHSC anticipates costs and savings throughout the implementation and operational (maintenance) years. Costs are expected

by HHSC to exceed savings until after fiscal year 2020.

The following provisions of the bill could have a fiscal impact:

-Section 1 reorganizes portions of the five health and human services agencies in two phases, which could result in cost savings from more accountable operations, more streamlined services, and increased consolidation of administrative functions. This reorganization includes consolidation of the health and human service system's internal audit functions. Savings could be achieved through more efficient operations and organizational streamlining, including contract consolidation, in several administrative and support areas including legal, internal audit, governmental relations, budget/accounting, information technology, contract management and oversight, rate analysis, facilities management, human resources, ombudsman, and other administrative management. Contract consolidation could result in significant savings in the future, but the timing and scope is unknown due to a lack of information. Available information does not allow for quantification of these savings elements at this time.

Alternatively, costs would occur from development of a transition structure and formation of a transition team, employment of new division directors, modifications to information technology, financial, and administrative systems to support the new organization, rebranding signage and various office products to reflect the new organization (although this adjustment is anticipated to happen over time), creation of the policy and performance office, transition of employees and email accounts, and maintenance of legacy systems and data access during the transition period. The modifications to information technology, financial and administrative systems could result in a significant cost, estimated to be $8 million by HHSC.

-Sections 2.05 and 2.07 require HHSC to create an approval process and standard criteria for all system websites and policies governing hotlines and call centers which could produce savings from streamlined websites and hotlines and potentially fewer consumer contacts and complaints.

-Sections 2.09 and 2.17 require HHSC to streamline the Medicaid provider enrollment and credentialing process which would result in web-based portal development costs.

-Section 2.13 requires the Office of Inspector General (OIG) to complete provider criminal history background checks on providers who have not previously been reviewed by a licensing board. The provisions require OIG to complete the criminal history background check within ten days of a completed application, which may result in costs associated with increased FTEs and enhanced information technology requirements.

-Section 2.18 requires HHSC to assist with Medicaid eligibility statewide which could result in savings associated with obtaining federal matching funds for those who lose funds when they are otherwise eligible.

-Section 3.02 establishes issue areas that advisory committees may be created to support. A reduction in the number of advisory committees could result in savings, to the degree such committees aren't reestablished in rule.

-Section 3.08 combines the Pharmaceutical and Therapeutics Committee and the Drug Utilization Review Board which could result in savings, by consolidating the vendor contracts that support the separate committees.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 529 Health and Human Services Commission, 530 Family and Protective Services, Department of, 320 Texas Workforce Commission, 323 Teacher Retirement System, 327 Employees Retirement System, 454 Department of Insurance, 503 Texas Medical Board, 781 Higher Education Coordinating Board

LBB Staff: UP, NB, MB, CH, WP, ER, EMo