

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 12, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1408 by Cortez (Relating to the period of continuous eligibility for the medical assistance program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1408, As Introduced: a negative impact of (\$64,264,178) through the biennium ending August 31, 2019.

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
2018	(\$9,202,368)
2019	(\$55,061,810)
2020	(\$67,322,523)
2021	(\$70,852,275)
2022	(\$71,860,964)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GR Match For Medicaid 758	Probable (Cost) from Federal Funds 555	Probable Revenue Gain from General Revenue Fund 1	Probable Revenue Gain from Foundation School Fund 193
2018	(\$9,202,368)	(\$12,030,157)	\$0	\$0
2019	(\$57,181,890)	(\$76,853,872)	\$1,590,060	\$530,020
2020	(\$71,353,582)	(\$96,064,489)	\$3,023,294	\$1,007,765
2021	(\$73,659,350)	(\$99,168,783)	\$2,105,306	\$701,769
2022	(\$74,691,605)	(\$100,558,524)	\$2,122,981	\$707,660

Fiscal Analysis

The bill would require 12 months continuous eligibility for children enrolled in Medicaid.

Methodology

The federal Patient Protection and Affordable Care Act (PPACA) established a 12-month certification period for children enrolled in Medicaid. The period of eligibility may still be less than 12 months if the state becomes aware of ineligibility through means other than requiring a person to renew eligibility (for example, self report or other third party income information). This estimate assumes that the provisions of the bill related to 12 months continuous eligibility for children would prevent the state from terminating coverage based on this kind of information. Due to the existing six months continuous eligibility, there would be no increased enrollment as a result of this bill until March 2018. If the eligibility guidelines apply to children already enrolled on September 1, 2017, the cost in fiscal year 2018 would be substantially higher.

The increase to average monthly children's caseload is estimated to be 8,988 in fiscal year 2018, 58,015 in fiscal year 2019, increasing in each subsequent year to 73,880 by fiscal year 2022. The average monthly cost per child is estimated to be \$192.17 in fiscal year 2018, increasing in each subsequent year to \$197.68 by fiscal year 2022. The estimated increased cost to client services would be \$20.7 million in All Funds, including \$8.9 million in General Revenue funds, in fiscal year 2018 and \$134.0 million in All Funds, including \$57.2 million in General Revenue funds, in fiscal year 2019. By fiscal year 2022 the estimated increased cost to client services would be \$175.3 million in All Funds, including \$74.7 million in General Revenue funds.

The increases in client services payments through managed care are assumed to result in an increase to insurance premium tax revenue, estimated as 1.75 percent of the increased managed care expenditures. Revenue is adjusted for assumed timing of payments and prepayments resulting in assumed increased collections of \$2.1 million in fiscal year 2019, \$4.0 million in fiscal year 2020, \$2.8 million in fiscal year 2021, and \$2.8 million in fiscal year 2022. 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.

Technology

According to the Health and Human Services Commission, there would be a one-time cost in fiscal year 2018 of \$506,000 in All Funds, including \$253,000 in General Revenue Funds, for modifications to the Texas Integrated Eligibility Redesign System (TIERS).

Local Government Impact

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

Source Agencies: 529 Health and Human Services Commission

LBB Staff: UP, KCA, LR, RGU