

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 17, 2017**

**TO:** Honorable Four Price, Chair, House Committee on Public Health

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

**IN RE:** **HB3634** by Bonnen, Greg (Relating to the amendment of the Texas Health Care Transformation and Quality Improvement Program waiver.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time due to uncertainties regarding how a block grant funding system would affect the state's share of Medicaid funding and what effect the provisions of the bill would have on Medicaid and CHIP caseloads and per recipient costs.

The bill would require the Health and Human Services Commission (HHSC) to seek to amend the Texas Health Care Transformation and Quality Improvement Program (1115) Waiver to accomplish certain changes to Medicaid and the Children's Health Insurance Program (CHIP). Those changes would include reinstating Medicaid eligibility criteria that existed on December 31, 2013, reducing the Medicaid eligibility certification period to six months, and prohibiting recipients enrolled in Medicaid managed care from enrolling in a different managed care plan unless certain conditions are met. CHIP eligibility criteria would revert to the criteria that existed immediately before June 15, 2007 and the CHIP eligibility certification period would be reduced to six months. Certain Medicaid and CHIP recipients would be required to participate in a health insurance premium payment reimbursement program and HHSC could establish a system in which employers may pay a portion or the full premium. Medicaid recipients would be required to pay copayments similar to those paid under CHIP and fees could be imposed on Medicaid and CHIP recipients for missed health care appointments. Adult Medicaid recipients would be required to sign a personal responsibility agreement. HHSC would have broad authority to evaluate new payment and delivery service models. Operation of Medicaid would shift to a block grant funding system based on population and cost growth trends.

If amendments received federal approval, reinstating pre-2014 Medicaid and pre-June 2007 CHIP eligibility criteria along with the reduction of eligibility certification periods to six months and required compliance with the personal responsibility agreement would be expected to significantly reduce Medicaid and CHIP caseloads. Participation in the premium payment reimbursement program for certain recipients, copayments for Medicaid recipients, and fees for missed appointments would be expected to reduce the average cost per Medicaid and CHIP recipient. It is assumed that there would be significant savings associated with the reduced caseloads and average costs; however, the amount of savings cannot be determined due to insufficient information regarding the extent to which caseloads and costs per recipient would decline. Additionally, the savings would be partially offset by significant reductions to premium tax revenue, prescription drug rebates, experience rebates, and premium copayments collected by the state. HHSC estimates significant one-time technology costs would be incurred to implement these changes.

The fiscal impact of operating Medicaid under a block grant cannot be determined because no information is available on the amount of funding that would be provided to the state for Medicaid and CHIP nor the effect of other changes that would be pursued under the provisions of the bill on those funding levels.

### **Local Government Impact**

The fiscal implications of the bill cannot be determined at this time. Medicaid providers can be units of local government and would likely experience reduced reimbursements if the amendments received federal approval.

**Source Agencies:** 529 Health and Human Services Commission

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