LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 27, 2017

TO: Honorable John Zerwas, Chair, House Committee on Appropriations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB4212** by Coleman (Relating to the renewal of the Texas Health Care Transformation and Quality Improvement Program waiver under Medicaid.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time due to insufficient data regarding whether certain provisions of the bill would result in a cost or savings to the state and how the non-federal share of certain provisions would be funded.

The bill would establish requirements for any renewal of the Texas Health Care Transformation and Quality Improvement Program (1115) Waiver. Renewal would be required to (1) allocate funding to hospitals and other safety net providers to ensure their financial viability; (2) provide incentives to develop and expand certain health care systems as well as to encourage Medicaid recipients to participate in their health care and engage in healthy behaviors; (3) provide a continuum of certain health care services for Medicaid recipients; (4) allow for variation in the manner Medicaid services are delivered, including through the use of managed care organizations, accountable care organization (ACOs), and health savings accounts (HSAs); and (5) ensure that any additional federal matching funds available are accepted and used to provide local and regional health care services to uninsured persons. The bill would take effect immediately upon a two-thirds vote from all members of each house or, if such a vote is not received, on September 1, 2017.

In addition to being the vehicle for providing statewide Medicaid managed care, Texas' current 1115 Waiver also contains funding for an Uncompensated Care (UC) pool and a Delivery System Reform Incentive Payment (DSRIP) pool. It is assumed that Medicaid recipients are already receiving a continuum of health care services in the current Medicaid program. It is also assumed that some provisions of the bill would be implemented with UC and DSRIP funding and would likely not result in a cost to the state because the non-federal share for those pools is primarily funded through intergovernmental transfers (IGTs). Federal funding may not be available to support non-Medicaid populations. It is uncertain if implementation of ACOs and HSAs would result in a cost or savings to the state. The provision to seek any additional federal funds to provide health care services to uninsured persons is interpreted as a requirement to pursue Medicaid expansion through the 1115 Waiver. If the non-federal funding source for Medicaid expansion were drawn from General Revenue Funds, this would result in a significant cost to the state that cannot be estimated at this time. However, if the non-federal share were funded through IGTs from local entities, there could potentially be little to no cost to the state.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time due to uncertainties regarding how the non-federal share of certain provisions would be funded. It is likely there would be a significant net positive fiscal impact to local government due to increased reimbursements to providers, some of which are units of local government.

Source Agencies: 529 Health and Human Services Commission

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