LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 4, 2019

TO: Honorable Eddie Lucio III, Chair, House Committee on Insurance

FROM: John McGeady, Assistant Director   Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **HB565** by Coleman (Relating to healthcare coverage in this state.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time but would be anticipated to be significant.

Certain provisions of the bill incorporate current federal requirements into state statute and would not be anticipated to result in a fiscal impact.

SECTION 1.01 of the bill would expand Medicaid eligibility to include all persons at or below 100 percent of the federal poverty level, children receiving Supplemental Security Income or in foster care (or residing in another residential care setting under the conservatorship of the Department of Family and Protective Services), and those who meet the eligibility requirements in effect on September 1, 2013. The bill would authorize Medicaid recipients to receive Medicaid sliding scale subsidies to purchase a health benefit plan form an authorized health benefit plan issuer and to cover costs associated with coinsurance, copayments, deductibles, and other cost-sharing requirements. The Health and Human Services Commission (HHSC) would be required to consider depositing subsidy amounts in health savings accounts. The bill would require HHSC to allow any health benefit plan issuer authorized to write health benefits plans in Texas to participate in the state Medicaid program. HHSC would be required to study a reinsurance program for participating health benefit plan issuers. HHSC would be required to develop a comprehensive plan to reform the delivery of long-term services and supports.

The cost to provide the services required under SECTION 1.01 cannot be determined but would be anticipated to be significant. Certain children currently eligible under provisions of the Affordable Care Act who transitioned from the Children's Health Insurance Program (CHIP) to Medicaid beginning in calendar year 2014 may no longer be eligible for Medicaid since they have an income above 100 percent of the federal poverty level, are not receiving Supplemental Security Income, and were not eligible September 1, 2013. This would be in conflict with current federal law. There would be significant administrative costs associated with implementation of the bill including substantial changes to information technology systems, the cost of which cannot be determined. It is assumed implementation activities including approval of federal waivers and system changes would take at least one year and client services would begin in fiscal year 2021. There would be an expected increase in caseload associated with newly eligible adults, which HHSC estimates to be approximately 215,000 in the first year as the program ramps up, increasing to approximately 330,000 in subsequent years. The average cost to serve the newly eligible and existing clients under the provisions of the bill cannot be determined due to the number of variables and unknowns under consideration. It is not known whether per member per month costs for currently eligible clients would increase or decrease; if those costs were lower, they may partially offset the cost to provide benefits to the newly eligible population. It is assumed any cost associated with developing the required comprehensive plan could be absorbed within the available resources of HHSC.

SECTIONs 2.01, 2.02, and 3.01 would require HHSC to implement a program to help connect certain low-income residents with health benefit plan coverage through private market solutions. The bill would require HHSC to negotiate to obtain a waiver to use federal matching funds to operate the program in order to create a program that is cost neutral to the state. According to HHSC and the Texas Department of Insurance (TDI), there would be a significant fiscal impact associated with implementing the provisions of these sections. Because the bill requires any program implemented to be cost neutral, it is assumed if HHSC could not create a cost neutral program, no program would be implemented; therefore, it is assumed these sections would have no significant fiscal impact.

SECTIONs 4.01, 5.01, and 6.01 would incorporate certain federal requirements related to health coverage into state statute. These requirements include allowable limits on cost sharing and coverage amounts, the coverage of preexisting conditions, mental health and substance use disorder parity, and essential health benefits. It is assumed that these provisions of the bill would not result in a fiscal impact as the state is required to comply with current federal mandates.

SECTION 4.01 also would require TDI to adopt rules to conform Texas law with requirements of the National Association of Insurance Commissioners (NAIC) Uniform Health Carrier External Review Model Act. To implement this provision of the bill, TDI indicates that it would need to conduct additional independent reviews. TDI estimates that it would need 2.0 additional full-time equivalent positions (FTEs) at an estimated cost of $0.1 million from Fund 8042 (TDI Maintenance Taxes) in each fiscal year. Due to the self-leveling nature of the TDI operating fund, it is assumed that TDI would adjust the assessment of the maintenance tax to account for any additional costs resulting from the implementation of the bill.

SECTION 7.01 would make children enrolled in STAR Health under Medicaid eligible to continue receiving health care services under the program until they turn 26. Currently, children eligible for STAR Health remain in the program until they turn 21 or 22 and then transition to STAR or STAR+PLUS. According to HHSC, an estimated 2,814 individuals would remain in STAR Health in fiscal year 2020 instead of transitioning to STAR or STAR+PLUS. That number would be expected to increase each fiscal year, reaching 3,019 by fiscal year 2024. There would be a cost of $20 per member per month for higher care coordination costs under STAR Health. Any additional impact to per member per month costs cannot be determined at this time. The estimated All Funds cost of additional care coordination would be $0.7 million in each of fiscal years 2020 to 2024.

SECTIONs 7.02 through 7.12 would incorporate certain federal requirements related to age restrictions on dependent child health care coverage into state statute. It is assumed that these provisions of the bill would not result in a fiscal impact as the state is required to comply with current federal mandates.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time. Certain local government entities are providers under the Medicaid program and could be expected to experience a change in reimbursement levels under the provisions of the bill.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System, 454 Department of Insurance, 529 Health and Human Services Commission, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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