

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**May 13, 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:** SB1207 by Perry (relating to the operation and administration of Medicaid, including the Medicaid managed care program and the medically dependent children (MDCP) waiver program.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1207, Committee Report 2nd House, Substituted: a negative impact of (\$9,013,801) through the biennium ending August 31, 2021.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill. The agency is required to implement a provision of this Act only if the legislature appropriates money specifically for that purpose. If the legislature does not appropriate money specifically for that purpose, the agency may, but is not required to, implement a provision of this Act using other appropriations available for that purpose. **Additional costs related the cost impact of changes to managed care organization capitation rates as a result of changes to third party recoveries cannot be determined at this time.**

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2020	(\$3,151,201)
2021	(\$5,862,600)
2022	(\$7,249,171)
2023	(\$7,684,173)
2024	(\$8,082,410)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund 1</b>	<b>Probable Savings/(Cost) from GR Match For Medicaid 758</b>	<b>Probable Savings/(Cost) from Federal Funds 555</b>	<b>Probable Revenue Gain/(Loss) from General Revenue Fund 1</b>
2020	(\$799,369)	(\$2,351,832)	(\$4,095,202)	\$0
2021	(\$727,584)	(\$5,227,749)	(\$8,508,693)	\$69,550
2022	(\$449,545)	(\$7,082,795)	(\$10,885,794)	\$212,377
2023	(\$444,593)	(\$7,480,032)	(\$11,491,552)	\$180,339
2024	(\$444,974)	(\$7,867,153)	(\$12,097,632)	\$172,288

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from Foundation School Fund 193</b>
2020	\$0
2021	\$23,183
2022	\$70,792
2023	\$60,113
2024	\$57,429

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2019</b>
2020	19.1
2021	23.2
2022	26.2
2023	26.2
2024	26.2

**Fiscal Analysis**

The bill would require the Health and Human Services Commission (HHSC) to expand eligibility for the Medicaid Buy-In for Children program (MBIC) and to conduct disability determination assessments to determine eligibility for MBIC directly. The bill would require HHSC to contract with an external medical review organization to review the resolution of appeals of a managed care organization's (MCO's) adverse determination on the basis of medical necessity or an HHSC denial of eligibility based on medical or functional need, and would require HHSC to conduct annual surveys and focus groups through the external quality review organization and to calculate an MCO's performance on performance measures using available data. The bill would require HHSC to submit a quarterly report about access to care for recipients in the medically dependent children waiver program (MDCP). The bill would also require the Health and Human Services Commission (HHSC) to develop and maintain a list of services that are not traditionally covered by primary health benefit plans (PHBP) and that a Medicaid managed care organization (MCO) may approve without coordinating with the issuer of the PHBP and that could be resolved through third party liability resolution. The bill would require HHSC to provide certain information on a recipient's third party insurance, including benefits, limits, copayments, and coinsurance. The bill would require HHSC to develop and implement a process to allow a provider who primarily provides services to a recipient through PHBP coverage to receive Medicaid reimbursement for services ordered, referred, or prescribed regardless of whether the provider is enrolled as a

Medicaid provider. The bill would take effect September 1, 2019.

## **Methodology**

Based on estimates provided by HHSC, this analysis assumes implementation of expanded eligibility for MBIC in March 2020, and assumes monthly caseloads of 58 in fiscal year 2020 and 412 in fiscal year 2021, with caseloads between 602 and 618 in fiscal years 2022 through 2024. Client services costs for expansion of MBIC to 300 percent of the federal poverty level (FPL), which is the highest level for which the state may receive federal matching funds, are estimated to total \$1.2 million in All Funds, including \$0.5 million in General Revenue in fiscal year 2020 and \$8.8 million in All Funds, including \$3.4 million in General Revenue in fiscal year 2021, increasing to \$15.6 million in All Funds, including \$6.1 million in General Revenue, by fiscal year 2024. This analysis assumes the average cost share for MBIC recipients would be \$135 per month.

Based on estimates provided by HHSC, this analysis assumes that HHSC would require 4.0 additional full-time equivalents (FTEs) in fiscal year 2021, increasing to 7.0 FTEs in each of fiscal years 2022 through 2024 to process applications and reviews for MBIC, 18.5 FTEs in each fiscal year beginning in fiscal year 2020 to establish and maintain an escalation help line for MDCP recipients, and 0.3 FTEs beginning in fiscal year 2021 to collect, analyze, and report on data required by provisions of the bill, and 0.3 FTEs for indirect administrative support. FTEs include 16.5 Program Specialist VII, 2.0 Manager V, 0.3 Research Specialist V, and 3.0 Texas Works Advisor I and 1.0 Texas Works Advisor II in fiscal year 2020 increasing to 5.0 Texas Works Advisor I, 1.0 Texas Works Advisor II, and 1.0 Texas Works Supervisor I in fiscal year 2021. Total FTE-related costs, including salaries and benefits, is assumed to be \$2.6 million in All Funds, including \$1.2 million in General Revenue, in fiscal year 2020 and \$2.8 million in All Funds, including \$1.2 million in General Revenue, in fiscal year 2021.

HHSC indicates that costs to contract with an external medical review organization would have a cost of \$1.5 million in All Funds, including \$0.7 million in General Revenue, in each fiscal year beginning in fiscal year 2020 based on an estimated \$800 per case for review, and a volume of cases based on 95 percent of the number of clients with an appeal related to a medical necessity or eligibility case who request and complete the entire fair hearings process. HHSC estimates the increased costs for additional services from the external quality review organization would total \$0.5 million in All Funds, including \$0.2 million in General Revenue, in each fiscal year beginning in fiscal year 2020.

According to HHSC, required modifications to the Texas Integrated Eligibility Redesign System and Eligibility Supporting Technologies would have a cost of \$1.5 million in All Funds, including \$0.5 million in General Revenue in fiscal year 2020, and \$1.0 million in All Funds, including \$0.3 million in General Revenue in fiscal year 2021. HHSC estimates additional costs of \$0.1 million in All Funds, including \$30,000 in General Revenue, for system modifications to Community Services Interest List (CSIL) and auxiliary technology services.

The net increase 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; resulting in assumed increased collections of \$0.1 million in fiscal year 2021, \$0.3 million in fiscal year 2022, and \$0.2 million in fiscal year 2023 and fiscal year 2024. 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**

FTE-related technology costs are estimated to total \$0.1 million in All Funds in each fiscal year beginning in fiscal year 2020. System modifications to TIERS and Eligibility Supporting Technologies are estimated to total \$1.5 million in All Funds, including \$0.5 million in General Revenue, and \$1.0 million in All Funds, including \$0.3 million in General Revenue in fiscal year 2021, and system modifications to Community Services Interest List (CSIL) and auxiliary technology services are estimated to total \$0.1 million in All Funds, including \$30,000 in General Revenue in fiscal year 2020.

## **Local Government Impact**

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

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

**LBB Staff:** WP, CMa, EP, MDI, AKi