LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 23, 2019

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

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

IN RE: **SB2138** by Hinojosa (Relating to the authority of the Health and Human Services Commission to retain certain money received by the commission to administer certain Medicaid programs.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2138, As Passed 2nd House: a negative impact of ($26,368,788) 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.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	($13,283,907)
2021	($13,084,881)
2022	($13,307,482)
2023	($13,590,882)
2024	($13,770,732)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Savings/(Cost) from *Federal Funds* 555	Probable Savings/(Cost) from *GR Match For Medicaid* 758	Probable Savings/(Cost) from *Approp Receipts-Match For Medicaid* 8062
2020	($1,263,240)	($20,339,449)	($12,375,158)	($1,290,703)
2021	($1,263,240)	($20,822,302)	($12,184,290)	($1,053,319)
2022	($1,263,240)	($21,292,629)	($12,427,057)	($1,053,319)
2023	($1,263,240)	($21,760,924)	($12,714,565)	($1,053,319)
2024	($1,263,240)	($22,060,938)	($12,898,757)	($1,053,319)

Fiscal Year	Probable Revenue Gain from *General Revenue Fund* 1	Probable Revenue Gain from *Foundation School Fund* 193	Probable Revenue Gain from *Federal Funds* 555	Probable Revenue Gain from *Approp Receipts-Match For Medicaid* 8062
2020	$265,868	$88,623	$4,000,000	$4,000,000
2021	$271,987	$90,662	$4,000,000	$4,000,000
2022	$287,111	$95,704	$4,000,000	$4,000,000
2023	$290,192	$96,731	$4,000,000	$4,000,000
2024	$293,449	$97,816	$4,000,000	$4,000,000

Fiscal Year	Change in Number of State Employees from FY 2019
2020	10.1
2021	10.1
2022	10.1
2023	10.1
2024	10.1

Fiscal Analysis

The bill would amend Chapter 531 of the Government Code to require the Health and Human Services Commission (HHSC) to establish a work group to develop quality measures for a value-based program for long-term services and supports (LTSS) and receive related recommendations. The bill would require HHSC to submit a report related to the quality measures.

The bill would authorize HHSC to retain up to $8.0 million each fiscal year of funds received to operate certain health care programs under the Medicaid program to pay for administration of those programs. The bill would require that HHSC submit an annual report related to the amount retained and spent for administration.

The bill would require HHSC to include cost savings in its biennial report on the effects of telemedicine services and to provide home telemonitoring to certain pediatric clients with complex medical needs. The bill would also repeal the telemonitoring benefit reimbursement sunset date.

The bill would require HHSC's medical and utilization review appeals unit to comply with the federal coding guidelines adopted by the U.S. Department of Health and Human Services in accordance with the Health Insurance Portability and Privacy Act of 1996.

The bill would amend Chapter 533 of the Government Code to require managed care plans offered by a Medicaid managed care organization (MCO) with which HHSC contracts with to be accredited by a nationally recognized accreditation organization.

The bill would amend Chapter 32 of the Human Resources Code to increase the personal needs allowance for Medicaid-enrolled residents of nursing facilities and Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IDD) from a minimum of $60 per month to a minimum of $75 per month.

The bill would require the statewide behavioral health coordinating council to monitor the effects of prior authorization and preferred drug policies for antipsychotic drugs with regard to medication access and continuity of care and make recommendations related to these policies.

The bill would require HHSC to study the feasibility of extending the private duty nursing benefit to individuals that have aged out of the STAR Kids program and submit a report containing related findings and recommendations.

Methodology

This analysis assumes that implementing the provisions of the bill would cost $35.3 million in fiscal year 2020 and $35.3 million in fiscal year 2021. This analysis assumes the provisions of the bill would result in a revenue gain of $8.4 million in All Funds in fiscal year 2020 and $8.4 million in fiscal year 2021.

HHSC estimates that it would need 10.1 Full-Time Equivalent positions (FTEs) to administer certain health care programs under the Medicaid program in each fiscal year. HHSC anticipates salary and employee benefit costs of $1.1 million in All Funds in each fiscal year. The agency estimates additional operating expenses of $1.1 million in fiscal year 2020 and $1.0 million in every year thereafter. This analysis assumes one-time information technology costs of $0.4 million in fiscal year 2020. Based on the Legislative Budget Board's (LBB) analysis of HHSC, responsibilities associated with submitting an annual report related to the amount retained and spent for administration could be accomplished by utilizing existing resources.

HHSC indicates that approximately $5.3 billion would be available in fiscal year 2020 to operate certain health care programs under the Medicaid program. This analysis assumes that the agency would retain $8.0 million in All Funds each fiscal year of the amount available. However, the bill allows HHSC to retain a lower amount as needed to administer the programs. HHSC indicates that it would not need to retain the entire $8.0 million each fiscal year to implement the provisions of the bill. In addition, the bill allows HHSC to retain additional funds as needed to administer the programs, with the approval of the governor and LBB. The bill prohibits HHSC from retaining a total amount exceeding 0.25 percent of the amount available to operate the programs.

To implement the provisions of the bill related to providing home telemonitoring to certain pediatric clients with complex medical needs, HHSC indicates there would be a one-time cost of $0.1 million in All Funds in fiscal year 2020 for system modifications for the claims administrator. Due to the time needed to make necessary changes, it is assumed services would be provided to the expanded population beginning September 1, 2020. If services were provided sooner there would be an additional cost.

According to HHSC, client services would ramp up over a period of two years with an estimated additional 77 average monthly recipients in fiscal year 2021 increasing each fiscal year to 240 average monthly recipients in fiscal year 2024 at a monthly cost ranging between $342.79 and $345.55 per recipient. The total estimated cost for client services would be $0.3 million in All Funds in fiscal year 2021 increasing each fiscal year to $1.0 million. Repealing the sunset date associated with Medicaid reimbursement of home telemonitoring services would result in a cost to continue providing those services beyond September 1, 2019. According to HHSC, the total estimated cost for these client services would be $20.2 million in fiscal year 2020 increasing each fiscal year to $21.4 million in fiscal year 2024. The House and Senate versions of House Bill 1 (the General Appropriations Bill) provide funding for this purpose.

The net 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 $0.4 million each fiscal year. 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. It is assumed HHSC can absorb the cost of including cost savings in the biennial report. According to HHSC home telemonitoring may reduce medical services utilization resulting in an offsetting savings; however, an exact estimate could not be determined and no savings is included.

To implement the provision of the bill related to increasing the personal needs allowance for Medicaid-enrolled residents of nursing facilities and ICF/IDD, it is assumed that the personal needs allowance for each recipient would be increased by $15 per month. A projected 68,755 average monthly Medicaid recipients will reside in nursing facilities or ICFs/IID (including State Supported Living Centers) in fiscal year 2020, increasing each fiscal year to 71,187 by fiscal year 2024. There would be an additional cost to increase the monthly payment above the revised minimum.

An estimated 7,018 recipients in fiscal year 2020 and beyond have incomes of less than $60 per month; the $15 monthly increase for these recipients would be funded entirely with General Revenue Funds, an estimated cost of $1.3 million in each fiscal year. The monthly increase for the remaining recipients would be a reduction to applied income, increasing the average monthly cost of care for these recipients. The increased costs would be matched with Federal Funds based on the Federal Medical Assistance Percentage at an estimated cost of $11.1 million in All Funds, including $4.4 million in General Revenue Match for Medicaid Funds in fiscal year 2020, increasing each fiscal year to $11.6 million in All Funds, including $4.4 million in General Revenue Match for Medicaid Funds by fiscal year 2024.

HHSC indicates that there would be a minimal cost to establish a work group, receive recommendations, and issue a report related to quality measures for a value-based program for LTSS. It is assumed that these costs could be absorbed within current resources. HHSC indicates that the costs associated requiring HHSC's medical and utilization review appeals unit to comply with federal coding guidelines could be accomplished by utilizing existing resources. According to HHSC, there would be a minimal cost associated with increased premiums for MCOs not currently accredited that pursue accreditation due to the requirements in the bill. It is assumed those increased costs can be absorbed within current resources. HHSC indicates that there would be a minimal cost associated with requiring the statewide behavioral health coordinating council to monitor and make recommendations related to certain policies for antipsychotic drugs. It is assumed that these costs could be absorbed within current resources. HHSC anticipates that any costs associated with studying the feasibility of extending the private duty nursing benefit and submitting a related report could be accomplished by utilizing existing agency resources.

Technology

To implement the provisions of the bill related to the administration of certain health care programs under the Medicaid program, this analysis assumes one-time information technology costs of $0.4 million in All Funds in fiscal year 2020 for HHSC to develop a database of hospital financial and payment information. HHSC indicates it would use the database to run reports, track trends, and comply with audits related to certain health care programs under the Medicaid program. Additional one-time technology costs in fiscal year 2020 related to providing home telemonitoring to certain pediatric clients with complex medical needs would be $0.1 million in All Funds for system modifications to the claims administrator.

Local Government Impact

To the extent that HHSC retains funds to pay for implementation of certain health care programs under the Medicaid program as provided by the bill, units of local government may see a loss in revenue related to such program funding.

Source Agencies:

LBB Staff: WP, KK, ER, ADe