

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

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**March 29, 2021**

**TO:** Honorable James B. Frank, Chair, House Committee on Human Services

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB2955** by Klick (Relating to the reimbursement of certain urban teaching hospitals for the provision of inpatient hospital care under Medicaid.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2955, As Introduced : a negative impact of (\$7,216,175) through the biennium ending August 31, 2023.

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:**

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	(\$3,652,735)
2023	(\$3,563,440)
2024	(\$3,775,431)
2025	(\$3,877,692)
2026	(\$4,081,255)

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

<i>Fiscal Year</i>	<i>Probable (Cost) from GR Match For Medicaid</i> <b>758</b>	<i>Probable (Cost) from Federal Funds</i> <b>555</b>	<i>Probable Revenue Gain from General Revenue Fund</i> <b>1</b>	<i>Probable Revenue Gain from Foundation School Fund</i> <b>193</b>
2022	(\$3,766,734)	(\$5,892,988)	\$85,499	\$28,500
2023	(\$3,855,312)	(\$6,046,602)	\$218,904	\$72,968
2024	(\$3,956,171)	(\$6,185,708)	\$135,555	\$45,185
2025	(\$4,062,770)	(\$6,324,833)	\$138,809	\$46,269
2026	(\$4,206,599)	(\$6,432,664)	\$94,008	\$31,336

<i>Fiscal Year</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	1.0
2023	1.0
2024	1.0
2025	1.0
2026	1.0

**Fiscal Analysis**

The bill would require the Health and Human Services Commission (HHSC) to update the education adjustment factor used to calculate the medical education add-on, when requested by a teaching hospital, on a biannual basis. The bill would require HHSC to use the most current Medicare education adjustment factor data available at the time HHSC makes the update.

### **Methodology**

The analysis assumes only providers who will be positively impacted will request their education adjustment factor to be updated. The estimated client services cost is \$9.8 million in All Funds, including \$3.8 million in General Revenue, in fiscal year 2022, increasing in subsequent years to \$10.7 million in All Funds, including \$4.3 million in General Revenue, in fiscal year 2026.

The analysis assumes HHSC will require 1.0 additional full-time-equivalent (FTE) to process requests for updates to the education adjustment factor. FTE-related costs are estimated to be \$0.1 million in All Funds in each fiscal year and are assumed to be eligible for a 50 percent federal matching rate.

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 \$0.1 million in fiscal year 2022, \$0.3 million in fiscal year 2023, \$0.2 million in fiscal year 2024, \$0.2 million in fiscal year 2025, and \$0.1 million in fiscal year 2026. 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.

The University of Texas System determined that the bill would not have a fiscal impact on University of Texas health institutions.

### **Technology**

FTE-related technology costs are estimated to be \$1,625 in All Funds in fiscal year 2022 and \$576 in All Funds in each subsequent year.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 529 Hlth & Human Svcs Comm, 720 UT Sys Admin

**LBB Staff:** JMc, AKI, JLI, RD, WP