LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 14, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SB1149** by Kolkhorst (Relating to the transition of case management for children and pregnant women program services and Healthy Texas Women program services to a managed care program.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1149, Committee Report 2nd House, Substituted : a negative impact of ($1,841,707) 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. The Health and Human Services Commission (HHSC) and Department of State Health Services (DSHS) are 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 for that purpose, HHSC and DSHS may, but are not required to, implement a provision of this Act using other appropriations available for that purpose.

General Revenue-Related Funds, Five- Year Impact:

Fiscal Year	**Probable Net Positive/(Negative) Impact to *General Revenue Related Funds***
2022	($1,790,556)
2023	($51,151)
2024	($1,761,463)
2025	($10,048,827)
2026	($10,482,492)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *General Revenue Fund* 1**	**Probable Savings/(Cost) from *GR Match For Medicaid* 758**	**Probable Savings/(Cost) from *Federal Funds* 555**	**Probable Revenue Gain/(Loss) from *General Revenue Fund* 1**
2022	$0	($1,790,556)	($2,255,444)	$0
2023	$0	($68,972)	($403,494)	$13,366
2024	($111,605)	($3,292,251)	($9,088,487)	$1,231,795
2025	($459,129)	($12,415,881)	($36,293,375)	$2,119,637
2026	($472,182)	($11,935,833)	($37,727,107)	$1,444,142

Fiscal Year	**Probable Revenue Gain/(Loss) from *Foundation School Fund 193***	*Change in Number of State Employees from FY 2021*
2022	$0	0.0
2023	$4,455	(20.6)
2024	$410,598	(20.6)
2025	$706,546	(20.6)
2026	$481,381	(20.6)

Fiscal Analysis

The bill would amend Chapter 533 of the Government Code to transition Medicaid case management services for children and pregnant women currently provided by the Department of State Health Services (DSHS) to a Medicaid managed care model.

The bill would amend Chapter 32 of the Health and Safety Code to require the Health and Human Services Commission (HHSC) to contract with managed care organizations (MCO) to provide Healthy Texas Women (HTW) program services. HHSC and each MCO participating in the HTW program would be required to provide certain information regarding premium subsidies available for health benefit plans to certain women enrolled in HTW. HHSC would be required to work with the Texas Department of Insurance (TDI) to develop this information. Additionally, HHSC would be required to evaluate the feasibility, cost-effectiveness, and benefits of automatically enrolling into a managed care plan a woman who becomes pregnant while enrolled in HTW.

Methodology

According to HHSC, in order to implement the provisions of the bill, updates would need to be made to the Texas Integrated Eligibility Redesign System (TIERS) and Eligibility Support Technology (EST). The cost of the updates is estimated to be $2.8 million in All Funds, including $1.2 million in General Revenue, in fiscal year 2022.

Carving these services into managed care would result in an increased cost for the enrollment broker, estimated to be $1.2 million in fiscal year 2022 and $0.4 million in each subsequent year. It is assumed these costs would receive a 50 percent federal matching rate.

This analysis assumes case management for children and pregnant women would be carved into managed care on September 1, 2022. It is assumed case management services currently provided by DSHS staff would be provided by MCO-contracted providers, resulting in a decrease of 20.6 full-time equivalents (FTEs) at DSHS starting in fiscal year 2023 at a net zero All Funds cost. Additional managed care costs for administration, premium tax, and risk margin are estimated to cost of $0.1 million in All Funds, including a savings of $0.1 million in General Revenue due to a higher matching rate, each fiscal year.

This analysis assumes HTW would be carved into managed care on June 1, 2024. Managed care costs for administration, premium tax, and risk margin are estimated to cost of $12.0 million in All Funds, including $3.3 million in General Revenue, in fiscal year 2024, $48.7 million in All Funds, including $12.8 million in General Revenue, in fiscal year 2025, and $49.7 million in All Funds, including $12.3 million in General Revenue, in fiscal year 2026.

Due to approval of the Healthy Texas Women Section 1115 Demonstration Wavier, costs related to non--postpartum services provided through Healthy Texas Women are assumed to be a mix of General Revenue and Federal Funds. This analysis assumes the waiver approval will be extended after the current expiration date of December 31, 2024. If, however, the waiver approval expires, costs would accrue to General Revenue. Costs related to postpartum care services, known as Healthy Texas Women Plus, which are not currently included in the Healthy Texas Women waiver, are assumed to be General Revenue. However, if HHSC's application to add postpartum care services to the Healthy Texas Women 1115 Waiver is approved, a portion of the costs would accrue to federal funds.

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 $17,821 in fiscal year 2023, $1.6 million in fiscal year 2024, $2.8 million in fiscal year 2025, and $1.9 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.

Technology

The cost for updates to TIERS and EST is estimated to be $2.8 million in All Funds, including $1.2 million in General Revenue, in fiscal year 2022.

Local Government Impact

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

Source Agencies: 454 Department of Insurance, 529 Hlth & Human Svcs Comm, 537 State Health Services

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