

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 19, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB54** by Thompson, Senfronia (Relating to the personal needs allowance for certain Medicaid recipients who are residents of long-term care facilities.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB54, Committee Report 1st House, Substituted : a negative impact of (\$17,365,464) through the biennium ending August 31, 2025.

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>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	(\$8,254,761)
2025	(\$9,110,703)
2026	(\$9,922,647)
2027	(\$10,547,992)
2028	(\$10,928,473)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>General Revenue Fund 1</i>	Probable Savings/(Cost) from <i>GR Match For Medicaid 758</i>	Probable Savings/(Cost) from <i>Federal Funds 555</i>	Probable Revenue Gain from <i>General Revenue Fund 1</i>
2024	(\$2,233,200)	(\$6,232,687)	(\$9,630,604)	\$158,345
2025	(\$2,517,668)	(\$7,182,556)	(\$10,720,126)	\$442,141
2026	(\$2,677,164)	(\$7,633,234)	(\$11,392,773)	\$290,813
2027	(\$2,840,396)	(\$8,114,281)	(\$12,110,747)	\$305,014
2028	(\$2,907,096)	(\$8,296,552)	(\$12,382,788)	\$206,381

<i>Fiscal Year</i>	Probable Revenue Gain from <i>Foundation School Fund 193</i>
2024	\$52,781
2025	\$147,380
2026	\$96,938
2027	\$101,671
2028	\$68,794

Fiscal Analysis

The bill would increase the personal needs allowance (PNA) for Medicaid-enrolled residents of nursing facilities, Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICFs/IID), or similar long-term care facilities, from a minimum of \$60 per month to a minimum of \$85 per month.

The bill would require HHSC to adjust the personal needs allowance for inflation on January 1 of each odd-numbered year.

Methodology

In addition to increasing the PNA from \$60 to \$85, the bill would require HHSC to adjust the PNA each even-numbered year of the biennium to reflect the percentage increase in the Consumer Price Index (CPI) for Urban Wage Earners and Clerical workers with an effective date of January 1 in the odd-numbered year. Assuming a 4.96 percent increase to the CPI in 2025 and a 2.39 percent increase in 2027, the PNA would increase to \$89 in January of 2025 and \$91 in 2027. Currently, Assisted Living Facilities (ALF) clients have a PNA of \$85. This analysis incorporates the PNA increase from \$60 to \$85 beginning September 1, 2023 and above \$85 beginning January 1, 2025.

A projected 56,866 average monthly Medicaid recipients will reside in nursing facilities, ICFs/IID (including State Supported Living Centers), in fiscal year 2024, increasing each fiscal year to 61,143, including ALF clients, by fiscal year 2028. An estimated 7,444 recipients in fiscal year 2024 and 7,849 recipients, including 294 clients in ALFs, in fiscal year 2025 will have projected incomes less than the PNA. For these recipients, the increased PNA would be funded entirely with General Revenue Funds and would result in an assumed cost of \$2.2 million in fiscal year 2024 and \$2.5 million in fiscal year 2025.

The monthly increase for the remaining recipients would result in a reduction to applied income and would increase the average monthly cost of care for these clients. The increased costs would be matched with Federal Funds based on the Federal Medical Assistance Percentage (FMAP) at an estimated cost of \$15.9 million in All Funds in fiscal year 2024 and \$17.9 million in All Funds in fiscal year 2025.

In addition, 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 \$0.2 million in fiscal year 2024, \$0.6 million in fiscal year 2025, \$0.4 million in fiscal year 2026, \$0.4 million in fiscal year 2027, and \$0.3 million in fiscal year 2028. 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

HHSC indicates that one-time system modifications will be required for the Texas Integrated Eligibility Redesign System (TIERS). It is assumed that any costs associated with the bill could be absorbed using existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JMc, NPe, ER, CST, NV