

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 24, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB5265 by Raymond (Relating to Medicaid coverage and reimbursement for certain inpatient mental health services.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB5265, As Introduced : a negative impact of (\$31,081,898) 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	(\$1,851,969)
2025	(\$29,229,929)
2026	(\$29,880,989)
2027	(\$31,662,783)
2028	(\$33,072,761)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable (Cost) from <i>GR Match For Medicaid</i> 758	Probable (Cost) from <i>Federal Funds</i> 555	Probable Savings from <i>GR Match For Medicaid</i> 758
2024	(\$185,629)	(\$1,666,340)	(\$1,684,898)	\$0
2025	(\$180,627)	(\$31,868,134)	(\$47,492,397)	\$1,953,753
2026	(\$180,750)	(\$33,523,736)	(\$49,911,094)	\$2,025,101
2027	(\$180,875)	(\$35,025,498)	(\$52,149,665)	\$2,116,254
2028	(\$181,000)	(\$36,594,851)	(\$54,488,996)	\$2,211,508

<i>Fiscal Year</i>	Probable Savings from <i>Federal Funds</i> 555	Probable Savings from <i>General Revenue Fund</i> 1	Probable Savings from <i>Foundation School Fund</i> 193	<i>Change in Number of State Employees from FY 2023</i>
2024	\$0	\$0	\$0	4.0
2025	\$2,915,413	\$648,809	\$216,270	4.0
2026	\$3,018,738	\$1,348,797	\$449,599	4.0
2027	\$3,154,614	\$1,070,502	\$356,834	4.0
2028	\$3,296,607	\$1,118,687	\$372,895	4.0

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC) to adopt rules and provide medical assistance reimbursement to an inpatient mental health institution, as defined by the bill.

The bill would require HHSC to ensure that reimbursement includes health care services provided to a recipient under the medical assistance program regardless of age and for the entirety of a recipient's stay at an inpatient mental health institution.

The bill would require HHSC to request a waiver before implementing the provisions of the bill.

Methodology

Assuming a September 1, 2024, start date, requiring Medicaid reimbursement for services delivered to clients in inpatient mental health institutions for the entirety of their stay would increase the number and duration of services provided as well as add new covered services, such as Assertive Community Treatment and Coordinated Specialty Care, which would require a ramp up period to develop providers for the statewide delivery of services. The estimated cost of the expanded coverage is \$79.0 million in All Funds, including \$31.7 million in General Revenue, in fiscal year 2025, increasing each subsequent fiscal year to \$90.7 million in All Funds, including \$36.4 million in General Revenue in fiscal year 2028. Additionally, it is assumed that expanded mental health service coverage would lead to reductions in emergency room visits and readmissions to inpatient mental health institutions. The estimated savings are \$4.9 million in All Funds, including \$2.0 million in General Revenue in fiscal year 2025, increasing each subsequent fiscal year to \$5.5 million in All Funds, including \$2.2 million in General Revenue, in fiscal year 2028. The estimate assumes that current non-Medicaid behavioral health costs would be eligible for Medicaid and will increase Medicaid expenditures. This will result in General Revenue available for other non-Medicaid behavioral health purposes.

The net increase in client services payments through managed care is 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 increased collections estimated to be \$0.9 million in fiscal year 2025, \$1.8 million in fiscal year 2026, \$1.4 million in fiscal year 2027, and \$1.5 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.

The bill would require HHSC to apply for an 1115 demonstration waiver for individuals with serious mental illness or serious emotional disturbance to provide Medicaid reimbursement to institutions for mental disease (IMD). The waiver would provide both the authority for Medicaid reimbursement at an IMD for individuals ages 21 to 64 and require the state to meet additional requirements, as outlined by the Centers for Medicaid and Medicare Services. An external evaluation of the demonstration would be required if the waiver is approved. HHSC estimates there would be a one-time cost of \$3.0 million in All Funds, including \$1.5 million in General Revenue.

This analysis assumes HHSC would require 4.0 full-time equivalent (FTE) positions, including 2.0 Data Analyst V and 2.0 Program Specialist VI, to manage the development and monitoring of the new 1115 waiver, assist in the development of the required evaluation, and provide technical assistance. The estimated cost for the additional FTEs is \$0.5 million in All Funds each fiscal year, including \$0.4 million in General Revenue.

Technology

FTE-related technology costs total less than \$0.1 million in All Funds for each fiscal year of the biennium.

Local Government Impact

According to HHSC, additional authority would be required to increase the General Revenue allocation for a local mental health authority or local behavioral health authority in order to receive additional state funds available due to the Medicaid matching rate received for the demonstration waiver.

Source Agencies: 529 Health and Human Services Commission

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