

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 20, 2023

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1677 by Perry (Relating to the establishment and administration of Health and Human Services Commission programs providing mental health services to certain individuals in this state.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1677, As Passed 2nd House : a negative impact of (\$3,636,363) 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>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$354,509)
2025	(\$3,281,854)
2026	(\$3,299,922)
2027	(\$3,479,350)
2028	(\$3,620,836)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable (Cost) from General Revenue Fund 1</i>	<i>Probable (Cost) from GR Match For Medicaid 758</i>	<i>Probable Revenue Gain from General Revenue Fund 1</i>	<i>Probable Revenue Gain from Foundation School Fund 193</i>
2024	(\$354,509)	\$0	\$0	\$0
2025	(\$341,510)	(\$3,028,397)	\$66,040	\$22,013
2026	(\$341,777)	(\$3,138,990)	\$135,634	\$45,211
2027	(\$342,047)	(\$3,280,279)	\$107,232	\$35,744
2028	(\$342,320)	(\$3,427,928)	\$112,059	\$37,353

<i>Fiscal Year</i>	<i>Probable (Cost) from Federal Funds 555</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	\$0	3.0
2025	(\$4,519,009)	3.0
2026	(\$4,679,167)	3.0
2027	(\$4,889,781)	3.0
2028	(\$5,109,876)	3.0

Fiscal Analysis

The bill would amend requirements for how the Health and Human Services Commission (HHSC) distributes funding for certain community mental health grant programs.

The bill would require HHSC to the extent money is appropriated for that purpose, to cooperate with local mental health authorities (LMHAs) located primarily in rural areas of the state to contract with nonprofit organizations to establish or expand behavioral health centers or jail diversion centers in the authorities' local service areas.

The bill would require the State Auditor's Office (SAO) to conduct an audit of the inmates in county jails who are waiting for a forensic hospital bed for the provision of competency restoration service and submit a report on the audit by December 1, 2024.

The bill would amend Government Code, Section 533.0255(a), to update the definition of behavioral health services under Medicaid to include intensive outpatient services and partial hospitalization services.

Methodology

It is assumed that any costs related to the amended requirements for certain community mental health grant programs could be absorbed using existing resources.

The analysis assumes HHSC would require 3.0 additional full-time equivalents (FTEs), including a Program Specialist V, a Program Specialist VI, and a Contract Specialist V to coordinate with LMHAs and administer the contracts with nonprofits. Costs for FTEs, including salary, benefits, technology, furniture, and supplies would total \$0.4 million in fiscal year 2024 and \$0.3 million in subsequent fiscal years.

The cost estimate includes only the cost to administer the program and does not include funding required to provide contracts to nonprofit organizations. HHSC would require appropriations beyond the administrative costs to actually implement the contracts, but the cost for the program would depend on the preferred scale including the number of behavioral health centers or jail diversions centers that would be supported. Community mental health grant programs at HHSC received appropriations ranging from \$5.0 million to \$25.0 million for grants each fiscal year of the 2022-23 biennium. According to HHSC, the Mental Health Grant Program for Justice-Involved Individuals, which supports similar though not identical services as those outlined in the bill, provides about \$0.9 million on average per grantee each fiscal year.

It is assumed that any costs relates to the required audit by SAO could be absorbed using existing resources.

Assuming a September 1, 2024, start date, the average monthly recipients associated with expanding Medicaid benefits to include partial hospitalization and intensive outpatient services is estimated to be 343 in fiscal year 2025, increasing each subsequent year to 353 in fiscal year 2028. The estimated cost is \$7.5 million in All Funds, including \$3.0 million in General Revenue, in fiscal year 2025, increasing each subsequent fiscal year to \$8.5 million in All Funds, including \$3.4 million in General Revenue in fiscal year 2028. It is assumed that costs related to adding the new Medicaid benefits, including waiver amendments, can be accomplished within existing resources.

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 less than \$0.1 million in fiscal year 2025, \$0.2 million in fiscal year 2026, \$0.1 million in fiscal year 2027, and \$0.1 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

FTE-related technology costs would be less than \$0.1 million each fiscal year.

Local Government Impact

LMHAs located primarily in rural areas of the state could experience a fiscal impact due to the required cooperation with HHSC.

Source Agencies: 529 Health and Human Services Commission

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