

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 10, 2025

TO: Honorable Gary VanDeaver, Chair, House Committee on Public Health

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2677 by Thompson (relating to Medicaid coverage and reimbursement for the treatment of obesity and certain diabetes prevention program services.), Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB2677, Committee Report 1st House, Substituted: a negative impact of (\$277,193,696) through the biennium ending August 31, 2027.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	(\$236,986)
2027	(\$276,956,710)
2028	(\$281,846,322)
2029	(\$283,538,227)
2030	(\$291,829,325)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>GR Match For Medicaid 758</i>	Probable Savings/(Cost) from <i>Federal Funds 555</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund 1</i>	Probable Revenue Gain/(Loss) from <i>Foundation School Fund 193</i>
2026	(\$236,986)	(\$1,351,270)	\$0	\$0
2027	(\$277,332,288)	(\$413,080,007)	\$281,684	\$93,894
2028	(\$282,802,635)	(\$421,227,651)	\$717,235	\$239,078
2029	(\$288,358,294)	(\$429,502,359)	\$3,615,050	\$1,205,017
2030	(\$305,112,703)	(\$454,456,713)	\$9,962,534	\$3,320,844

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC) to provide Medicaid reimbursement for the treatment of the chronic disease of obesity, including intensive behavioral therapy, metabolic and bariatric surgery, and anti-obesity medication, and for services provided to eligible recipients enrolled in diabetes prevention programs.

The bill would take effect immediately upon receiving a vote of two-thirds of all members elected to each house or, otherwise, on September 1, 2025.

Methodology

According to HHSC, necessary policy revisions and rate hearings associated with creating a new benefit can

take approximately 12 to 18 months to complete; therefore, HHSC assumes that services would begin September 1, 2026.

This analysis assumes that HHSC would require \$236,986 from the General Revenue Fund (\$1,588,256 from All Funds) in fiscal year 2026 for development costs associated with establishing new provider types and \$10,434 from the General Revenue Fund (\$41,734 from All Funds) in subsequent fiscal years for ongoing system updates.

This analysis assumes anti-obesity medication would be made available on a non-risk basis beginning in fiscal year 2027, before being carved into managed care in fiscal year 2030. The annual number of individuals estimated to utilize the newly available medication is 71,819 in fiscal year 2027, increasing to 76,162 by fiscal year 2030, with an assumed average annual cost of \$11,864 per utilizer for fiscal years 2027 through 2029 before increasing to \$12,225 in fiscal year 2030 after being carved into managed care. This analysis assumes a net prescription drug cost of \$264,390,176 from the General Revenue Fund (\$658,178,185 from All Funds) in fiscal year 2027, including offsetting adjustments due to increased vendor drug rebates.

This analysis assumes three new client services would also be made available pursuant to the bill: intensive behavioral therapy, metabolic and bariatric surgery, and diabetes prevention programs. The additional annual caseload associated with intensive behavioral therapy is estimated to be 41,976 in fiscal year 2027, increasing to 44,340 by fiscal year 2030, with an assumed average annual cost of \$580 per utilizer. The additional annual caseload associated with metabolic and bariatric surgery is estimated to be 154 in fiscal year 2027, increasing to 162 by fiscal year 2030, with an assumed average annual cost of \$1,371 per utilizer. The additional annual caseload associated with diabetes prevention programs is estimated to be 13,064 in fiscal year 2027, increasing to 13,792 by fiscal year 2030, with an assumed average annual cost of \$584 per utilizer. This analysis assumes a net client services cost of \$12,931,678 from the General Revenue Fund (\$32,192,376 from All Funds) in fiscal year 2027 for these benefits.

This analysis assumes that these costs would be partially offset by an estimated \$281,684 to the General Revenue Fund in fiscal year 2027 from client services payments through managed care that are assumed to result in an increase to the General Revenue Fund from insurance premium tax revenue and revenue adjusted for assumed timing of payments and prepayments, resulting in increased revenue collections. Additionally, this analysis assumes an offset of \$93,894 in fiscal year 2027 to be deposited to the credit of the Foundation School Fund, pursuant to Section 227.001(b), Insurance Code.

### **Technology**

Included in the amounts above, the total technology cost is estimated to be \$1,588,256 from All Funds in fiscal year 2026 and \$41,734 from All Funds in fiscal year 2027.

### **Local Government Impact**

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

**Source Agencies:** 529 Health and Human Services Commission

**LBB Staff:** JMc, NPe, ER, ESch, NV