

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 11, 2003

TO: Honorable Teel Bivins, Chair, Senate Committee on Finance

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2292 by Wohlgemuth (Relating to the provision of health and human services in this state, including the powers and duties of the Health and Human Services Commission and other state agencies; providing penalties.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2292, As Engrossed: a positive impact of \$1,078,505,946 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

Estimated savings should be compared to funding levels sufficient to conform to current policies and law. Estimated savings should not be compared to agency "building block" funding requests.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$438,283,883
2005	\$640,222,063
2006	\$699,980,734
2007	\$773,023,916
2008	\$829,609,072

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE FUND 1</i>	Probable Savings from <i>GENERAL REVENUE FUND 1</i>	Probable (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>FOUNDATION SCHOOL FUND 193</i>
2004	\$127,555,753	\$406,389,425	(\$103,761,295)	\$8,100,000
2005	\$132,956,892	\$641,771,833	(\$142,606,662)	\$8,100,000
2006	\$140,556,074	\$700,301,539	(\$148,976,879)	\$8,100,000
2007	\$155,121,942	\$773,655,137	(\$163,853,163)	\$8,100,000
2008	\$172,179,767	\$830,581,837	(\$181,252,532)	\$8,100,000

Fiscal Year	Probable (Cost) from <i>QUALITY ASSURANCE</i> 5080	Probable Revenue Gain from <i>QUALITY ASSURANCE</i> 5080	Probable Savings/ (Cost) from <i>FEDERAL FUNDS</i> 555	Probable Savings/ (Cost) from <i>INTERAGENCY CONTRACTS</i> 777
2004	(\$10,870,833)	\$27,313,652	\$581,066,077	\$1,442,220
2005	(\$10,865,543)	\$27,314,084	\$886,944,449	\$2,383,787
2006	(\$10,865,543)	\$27,314,084	\$934,061,606	\$2,383,787
2007	(\$10,865,543)	\$27,314,084	\$1,029,818,599	\$2,383,787
2008	(\$10,865,543)	\$27,314,084	\$1,117,619,883	\$2,383,787

Fiscal Year	Change in Number of State Employees from FY 2003
2004	(786.6)
2005	(1,916.5)
2006	(2,156.5)
2007	(2,149.5)
2008	(2,129.5)

Fiscal Analysis

The bill would make numerous changes to the provision of health and human services. Sections with fiscal implications are noted under methodology.

Methodology

The following estimate is based primarily on the response from the Health and Human Services Commission (HHSC), which analyzes the fiscal impact to all existing health and human services agencies (with the exception of the Cancer Council).

Article I and Section 2.06 (restructure health and human services, call center) are estimated to produce GR savings: \$31.6 million in FY 2004, increasing to \$87.6 million in FY 2008. These sections would also result in the following full-time-equivalents (FTE) reductions: 1,102.1 in FY 2004, 2,162.5 in FY 2005, and 2,412.5 in each subsequent year.

Section 2.05 (third party reimbursements) is estimated to produce GR savings: \$0.9 million in FY 2005 and \$1.8 million in each subsequent year.

Sections 2.10-2.15 (vendor drug program) are estimated to produce a net positive impact to GR. Estimated GR savings: \$58.0 million in FY 2004, increasing to \$181.5 million in FY 2008. Estimated GR costs: \$65.3 million in FY 2004, increasing to \$120.1 million in FY 2008. Additionally, these sections are estimated to produce a gain in GR: \$64.0 million in FY 2004, increasing to \$116.8 million in FY 2008.

Section 2.16 (medical service prior authorization) is estimated to produce a GR savings of \$150,000 in FY 2004 and \$305,000 in each subsequent year.

Section 2.20 (investigation and enforcement) is estimated to produce GR savings of \$12.7 million per year, beginning in FY 2004.

Section 2.22 (MOU--Office of the Attorney General (OAG)) is estimated to produce a net positive impact to GR. The OAG estimates a GR savings of \$10.0 million in FY 2004, \$20.0 million in FY 2005, and \$37.2 million in each subsequent year. Estimated GR costs include \$3.7 million in FY 2004 and \$3.4 million in each subsequent year. Estimated FTE increases include 200.0 per year.

Section 2.24 (Medicaid fraud reduction pilot) is estimated to cost \$0.3 million GR and to save \$4.0 GR, for a net savings of \$3.7 million GR in FY 2004. The pilot is assumed to operate for one year.

Section 2.26 (TANF fraud) is estimated to produce savings of \$3.6 million in TANF federal funds per

year, beginning in FY 2004.

Sections 2.29 and 2.86 (Medicaid managed care) are estimated to produce GR savings of \$5.8 million in FY 2004, increasing to \$7.4 million in FY 2008.

Section 2.27 (criminal history) is estimated to produce GR costs of \$250,000 in FY 2004 and \$50,000 in FY 2005.

Section 2.38 (licensing fees) is estimated to generate a gain to GR of \$24.6 million in FY 2005 and \$0.5 million in each subsequent year.

Sections 2.39-2.49 (CHIP eligibility and benefits) are estimated to produce GR savings of \$109.0 million in FY 2004, increasing to \$122.6 million in FY 2008. These sections are estimated to produce GR gains of \$10.5 million in fiscal year 2004 and \$9.1 million in each subsequent year; the gains would be offset with equal increases in spending.

Sec. 2.55 (compulsive gambling hotline) is estimated to produce interagency funds savings (Other Funds) of \$370,000 per year.

Section 2.59 (quality assurance fee) is estimated to produce a net positive impact to GR-Dedicated Account 5080. Estimated costs include \$10.9 million GR per year. Estimated GR revenue gains include \$27.3 per year.

Sec. 2.71 (mental retardation authority) is estimated to produce GR costs of \$3.9 million in FY 2004 and \$7.9 million in each subsequent year.

Section 2.76 would create the Mental Health Community Services Account within the General Revenue Fund.

Section 2.77 would create the Mental Retardation Community Services Account within the General Revenue Fund.

Section 2.79 (Medicaid assets test) is estimated to produce GR savings of \$49.2 million in FY 2004, increasing to \$94.8 million in FY 2008. Estimated GR costs include \$4.5 in FY 2004 and \$4.1 million in FY 2008. The section is estimated to necessitate an FTE increase of 190.0 in FY 2004, increasing to 233.0 in FY 2008.

Section 2.81 (TANF/Medicaid sanctions) is estimated to produce savings to TANF federal funds and to Medicaid General Revenue and Medicaid Federal Funds. Estimated GR savings include approximately \$14 million per year. A one-time offsetting GR cost of \$0.4 million is estimated for FY 2004. Estimated savings to federal funds (primarily Medicaid funding) includes approximately \$40 million per year.

Section 2.82 (TANF eligibility) is estimated to produce GR costs including \$0.3 million in FY 2004, increasing to \$0.5 million in FY 2008. Estimated federal funds costs include \$0.9 million in FY 2004, increasing to \$1.2 million in FY 2008.

Sec. 2.84 (healthy marriage development program) would represent a cost to federal funds (probably TANF); however, an estimate of increased expenditures has not been prepared at this time.

Section 2.87 (prescription drug limit) is estimated to produce GR savings of \$27.5 million in FY 2004, increasing to \$43.6 million in FY 2008.

Section 2.89 (Medicaid continuous eligibility) is estimated to produce GR savings--\$106.7 million in FY 2004, increasing to \$196.8 million in FY 2008—due to a continuation of 6 month continuous eligibility. **Sec. 2.91 would provide for 12 month continuous eligibility effective June 1, 2004 and thus conflicts with Sec. 2.89. It is assumed that the intent of House Floor Amendment #28 was to maintain 6 month continuous eligibility indefinitely.**

Section 2.94 (Medicaid claims) is estimated to produce GR costs of approximately \$150,000 per year.

Section 2.97 (third-party insurance) is estimated to produce GR savings of \$1.2 million per year.

Section 2.103 (Medicaid cost-sharing) is estimated to produce a net positive impact to GR. Estimated gains to GR include \$18.9 million per year—beginning in FY 2005. A similar savings to GR is estimated per year. Estimated GR costs include \$25.5 million per year. An increase of 2.0 FTEs per year is estimated.

Section 2.105 (ECI sliding fees) is estimated to produce a net positive impact to GR. Estimated gains to GR include \$1.9 million per year. A similar savings to GR is estimated per year. Estimated GR costs include \$1.9 million per year.

Sec. 2.107 (Rehabilitation Commission) is estimated to produce GR savings of \$3.4 million per year.

Sections 2.110-2.112 (premium tax) are estimated to produce a gain to GR of \$30.9 million per year, \$8.1 million of which would be deposited to the Foundation School Fund (193). The estimated GR cost per year is \$11.8 million.

Sections 2.118-2.125 and 2.141 (transportation) are estimated to produce \$4.0 million in GR savings per year. The section would also result in FTE reductions of 76.5 in FY 2004 and 153.0 in each subsequent year.

Section 2.143 (advisory committees) is estimated to produce a GR savings of \$50,000 to \$60,000 per year.

Section 2.145 (Medicaid/CHIP waiver) is estimated to produce a GR cost of approximately \$16,000 per year and to necessitate 1.0 additional FTE.

Technology

Various sections of the bill would necessitate modifications to information systems currently in use or under development. Related costs are included in the above estimate.

Local Government Impact

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

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 324 Department of Human Services, 327 Employees Retirement System, 367 Telecommunications Infrastructure Fund Board, 454 Department of Insurance, 529 Health and Human Services Commission

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