

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 1, 2003

TO: Honorable Talmadge Heflin, Chair, House Committee on Appropriations

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2292 by Wohlgemuth (Relating to state policy relating to financing of certain health and human services programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2292, As Introduced: a positive impact of \$327,258,267 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.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$140,466,075
2005	\$186,792,192
2006	\$189,496,152
2007	\$192,205,612
2008	\$195,023,451

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Revenue Gain from <i>VENDOR DRUG</i> <i>REBATES-MEDICAID</i> 706	Probable Savings/ (Cost) from <i>FEDERAL FUNDS</i> 555
2004	\$151,315,829	(\$36,348,136)	\$25,498,382	\$220,386,514
2005	\$210,972,909	(\$74,716,205)	\$50,535,488	\$301,149,585
2006	\$213,517,749	(\$74,518,645)	\$50,497,048	\$303,452,023
2007	\$216,227,209	(\$74,518,645)	\$50,497,048	\$309,088,028
2008	\$219,045,048	(\$74,518,645)	\$50,497,048	\$314,949,476

Fiscal Year	Change in Number of State Employees from FY 2003
2004	(76.5)
2005	(153.0)
2006	(153.0)
2007	(153.0)
2008	(153.0)

Fiscal Analysis

The bill would require changes in state policy relating to certain health and human services programs.

Bill sections with fiscal impacts or potential fiscal impacts are addressed under Methodology.

Savings estimates are compared to funding levels sufficient to support current policies and law.

Methodology

The following estimate is based upon responses from state agencies, including a preliminary response from the Health and Human Services Commission (HHSC).

Sections 2 and 11 (third party intermediaries) would implement HHS 12, recommendations B and C, of the e-Texas report "Limited Government, Unlimited Opportunity." Estimated General Revenue (GR) savings: \$967,067 for FY 2004 and \$1,384,036 for each subsequent year. Estimated GR costs: \$107,354 for FY 2004 and \$159,697 for each subsequent fiscal year. Estimated Federal Funds savings: \$1,325,474 for FY 2004 and \$1,903,034 for each subsequent fiscal year.

Sections 3, 18, 19 and 20 (prescription drug benefits in the Medicaid and CHIP Vendor Drug programs) would implement HHS 8, recommendations A and B, of the e-Texas report "Limited Government, Unlimited Opportunity." The following estimate differs from the response provided by the Office of the Comptroller as it is based upon Legislative Budget Board staff analysis. Estimated GR savings: \$40,072,921 for FY 2004, \$79,420,905 for FY 2005, and \$79,360,494 for each subsequent fiscal year. Estimated GR costs: \$24,219,782 for FY 2004, \$53,035,488 for FY 2005, and \$52,997,048 for each subsequent fiscal year. Estimated GR revenue gain: \$25,498,382 for FY 2004, \$50,535,488 for FY 2005, and \$50,497,048 for each subsequent fiscal year. Estimated Federal Funds savings: \$59,334,210 for FY 2004, \$122,868,646 for FY 2005, and \$119,510,969 for each subsequent fiscal year.

Section 3 (disease management) would implement HHS 4 of the e-Texas report "Limited Government, Unlimited Opportunity." Estimated GR savings: \$2,851,000 for FY 2004 and \$5,732,000 for each subsequent fiscal year. Estimated Federal Funds savings: \$4,282,000 for FY 2004 and \$8,595,000 for each subsequent fiscal year.

Sections 3, 24, and 25 (Medical Transportation Program) would implement HHS 3 of the e-Texas report "Limited Government, Unlimited Opportunity." Estimated GR savings: \$1,433,000 for FY 2004 and \$2,866,000 for each subsequent fiscal year. Estimated Federal Funds savings: \$1,433,000 for FY 2004 and \$2,866,000 for each subsequent fiscal year. Estimated reduction in Full-time-equivalents (FTEs): 76.5 for FY 2004 and 153.0 for each subsequent fiscal year.

Sections 4 and 5 (CHIP eligibility and benefit levels). Estimated GR savings: \$74,149,841 for FY 2004, \$80,384,968 for FY 2005, \$82,990,219 for FY 2006, \$85,699,679 for FY 2007, and \$88,517,518 for FY 2008. Estimated Federal Funds savings: \$124,332,830 for FY 2004, \$135,480,885 for FY 2005, \$140,900,120 for FY 2006, \$146,536,125 for FY 2007, \$152,397,570 for FY 2008.

Section 6 (nursing facility grant program) would implement HHS 1, recommendations E and F, of the e-Texas report "Limited Government, Unlimited Opportunity." Estimated GR costs: \$7,842,000 for FY 2004 and \$17,185,000 for each subsequent fiscal year. Estimated Federal Funds costs: \$12,230,000 for FY 2004 and \$25,961,000 for each subsequent fiscal year. (Estimated costs are assumed to equal the amount of savings generated under Section 12 below.)

Sections 7 and 26 (transitional TANF and Medicaid benefits). No significant fiscal impact is estimated as the state has reduced transitional benefits during the current biennium from 18 months to 12 months, the required federal minimum.

Sections 8 and 23 (minimum standards for nursing facility contracts) would implement HHS 1, recommendation B, of the e-Texas report "Limited Government, Unlimited Opportunity." The Office of the Comptroller estimates no significant fiscal impact.

Sections 9 and 21 (delivery of Medicaid benefits). HHSC indicates that the fiscal impact has not been determined.

Section 10 and 13 (surety bonds for certain providers and third party billing vendors) would implement HHS 12, recommendation 1, of the e-Texas report "Limited Government, Unlimited Opportunity." The Office of the Comptroller estimates no significant fiscal impact.

Section 11 (recovery of third party reimbursements) would implement HHS 12, recommendation D, of the e-Texas report "Limited Government, Unlimited Opportunity." The Office of the Comptroller estimates there would be no direct savings.

Section 12 (Medicaid payments for Medicare deductibles or coinsurance for nursing facility care) would implement HHS 1, recommendations E and F, of the e-Texas report "Limited Government, Unlimited Opportunity." Estimated savings are assumed to equal costs identified under Section 6 above.

Section 17 (federal waiver allowing families enrolled in Medicaid to opt into CHIP, while retaining the appropriate federal match). HHSC indicates that the fiscal impact has not been determined.

Section 26 (elimination of certain optional Medicaid services). Estimated GR savings: \$4,000,000 for each fiscal year. Estimated Federal Funds savings: \$6,000,000 for each fiscal year.

Section 26 (elimination of selective contracting). Estimated GR costs: \$4,179,000 for FY 2004 and \$4,336,020 for FY 2005, and \$4,176,900 for each subsequent fiscal year. Estimated Federal Funds costs: \$6,321,000 for FY 2004, \$6,563,980 for FY 2005, and \$6,323,100 for each subsequent fiscal year.

Section 26 (elimination of Graduate Medical Education payment). Estimated GR savings: \$20,000,000 for each fiscal year. Estimated Federal Funds savings: \$30,000,000 for each fiscal year.

Technology

Various sections of the bill would require modifications to existing information systems. Related costs are included in the fiscal estimates noted above.

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, 367 Telecommunications Infrastructure Fund Board, 454 Department of Insurance, 324 Department of Human Services, 327 Employees Retirement System, 330 Rehabilitation Commission, 501 Department of Health, 655 Department of Mental Health and Mental Retardation

LBB Staff: JK, JO, SD, PP, LR, LW, AJ