

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL MEMORANDUM**

HB 498 - SB 476

April 2, 2019

SUMMARY OF ORIGINAL BILL: Decreases, from 30 to 15 days, the time period in which a TennCare enrollee has to mail documentation of any material change to information provided in a TennCare application.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (006388): Deletes all language after the caption of the proposed legislation. Directs the Commissioner of the Department of Finance and Administration, no later than 120 days after the effective date of this act, to submit a waiver or waivers pursuant to Section 1115 of the *Social Security Act* to the federal Centers for Medicare and Medicaid Services (CMS) for the purpose of establishing a distinct Katie Beckett program. Requires the program to be designed in consultation with the Commissioner of the Department of Intellectual and Developmental Disabilities.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On March 21, 2019, a fiscal memorandum was issued with the following fiscal impact:

Increase State Expenditures – Not Significant

Other Fiscal Impact – If approved by the federal government, the level of federal and state funding required to administer the Katie Beckett program is unknown.

Based on additional information from the Division of TennCare and further analysis, this impact was determined to be in error. The corrected fiscal impact is below.

(CORRECTED)

Increase State Expenditures – Not Significant

Other Fiscal Impact - If approved by the federal government, there is estimated to be an increase in state expenditures of \$27,344,100; and an

HB 498 - SB 476 (CORRECTED)

increase in federal expenditures of \$49,484,100. It is estimated premium tax collections will result in an increase in state revenue of \$2,700,000.

It is unknown what agreements will be approved by the federal government regarding buy-in or premium requirements to offset state costs to ensure program sustainability; therefore, any additional fiscal impact to the Division of TennCare cannot be reasonably determined.

Assumptions for the bill as amended:

- The Division of TennCare will not incur a significant increase in expenditures to submit the waiver to CMS.
- Should CMS approve the waiver, it is assumed Part A would cover approximately 300 children at a cost of \$150,000 per child per year and Part B would cover approximately 2,700 children at a cost of \$10,000 per child per year.
- The total increase in expenditures is estimated to be \$72,000,000 [(300 x \$150,000) + (2,700 x \$10,000)].
- Medicaid expenditures receive matching funds at a rate of 65.375 percent federal funds to 34.625 percent state funds. Of this amount, \$24,930,000 (\$72,000,000 x 34.625%) will be in state funds and \$47,070,000 (\$72,000,000 x 65.375%) will be in federal funds.
- Individuals in Part A would, as TennCare members, be enrolled in a TennCare managed care organization (MCO) for services. The state collects six percent tax on premiums paid to the MCOs. The increase in state revenue is estimated to be \$2,700,000 [(300 x \$150,000) x 6.0%].
- The Department of Intellectual and Developmental Disabilities (DIDD) will administer Part B of the program. Part B will be a capped package of essential wraparound services and supports for certain children under the age of 18. The DIDD cannot accommodate the proposed legislation within existing resources; they will need 78 additional case managers at a cost of \$61,900 per manager for salary, benefits, and other costs resulting in an increase of \$4,828,200 (78 case managers x \$61,900). Case manager positions will receive a federal match rate of 50 percent federal to 50 percent state funds. The increase in state funds is \$2,414,100 (\$4,828,200 x 50.0%) and the increase in federal funds is \$2,414,100 (\$4,828,200 x 50.0%).
- The total increase in state expenditures is estimated to be \$27,344,100 (\$24,930,000 + \$2,414,100).
- The total increase in federal expenditures is estimated to be \$49,484,100 (\$47,070,000 + \$2,414,100).

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Increase Business Revenue - \$76,828,200

Increase Business Expenditures – Less than \$76,828,200

Assumptions for the bill as amended:

- Healthcare providers will experience an increase in business revenue for providing services.
- The increase in business revenue is estimated to be \$76,828,200.
- For companies to retain solvency, any increased expenditures will be less than the amount of increased revenues collected. Therefore, the increase in business expenditures is estimated to be less than \$76,828,200.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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