

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1087 - SB 1414

March 11, 2023

SUMMARY OF BILL: Removes the requirement that the Governor not make any decision or obligate the state in any way with regard to the expansion of the Medicaid program unless authorized by joint resolution of the General Assembly.

Requires the Division of TennCare (Division) to submit a waiver application to the Centers for Medicare and Medicaid Services (CMS) by December 31, 2023, to establish a temporary TennCare benefits program for individuals who are otherwise ineligible for enrollment in medical assistance on the basis of income. Requires the program be funded at a rate of 90 percent federal funds and 10 percent state funds.

Establishes that individuals under age 21 may receive medical assistance through the program for no more than 12 months out of any 24-month period, and no more than 60 months of medical assistance prior to the individual's 21st birthday. Individuals age 21 or older may receive no more than 12 months of medical assistance in any 24-month period, up to a cumulative maximum of 60 months during the individual's lifetime. Establishes that if an individual is enrolled in the program prior to their 21st birthday, the 60-month cumulative limit resets on the individual's 21st birthday.

FISCAL IMPACT:

Increase State Expenditures - \$224,304,300/FY24-25
\$223,304,300/FY25-26 and Subsequent Years

Increase Federal Expenditures -
\$1,963,236,100/FY24-25
\$1,954,236,100/FY25-26 and Subsequent Years

Assumptions:

- According to information provided by the Division, there are approximately 340,000 individuals who will be eligible to receive coverage under the temporary TennCare program. This number is assumed to remain constant.
- This analysis assumes that the necessary waiver will be approved, and that the program will become effective on July 1, 2024.

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- Based on an actuarial analysis by the Division, the average cost per participant is estimated to be \$530.31 per month, resulting in a recurring increase in expenditures of \$2,163,664,800 (340,000 x \$530.31 x 12) in FY24-25 and subsequent years.
- The proposed legislation requires that expenditures for the temporary program receive matching funds at a rate of 90 percent federal to 10 percent state. This estimate assumes that CMS will approve a waiver to grant matching funds at such rate.
- There will be a recurring increase of \$216,366,480 (\$2,163,664,800 x 10.0%) in state expenditures and a recurring increase of \$1,947,298,320 (2,163,664,800 x 90.0%) in federal expenditures, beginning in FY24-25.
- The Division will experience a one-time increase in expenditures of approximately \$10,000,000 in FY24-25 to implement new systems to facilitate the program.
- These expenditures will receive matching funds at a rate of 90 percent federal to 10 percent state. There will be a one-time increase in state expenditures of \$1,000,000 (\$10,000,000 x 10.0%) and one-time increase in federal expenditures of \$9,000,000 (\$10,000,000 x 90.0%) in FY24-25.
- In addition to the cost of system implementation, the Division will require 169 new full-time employees to handle the increased workload associated with the new enrollees.
- The total increase in expenditures for the 169 new employees will be approximately \$13,875,657. These expenditures will receive matching funds at the administrative rate of 50 percent federal to 50 percent state.
- There will be a recurring increase of \$6,937,829 (\$13,875,657 x 50.0%) in state expenditures and a corresponding increase of \$6,937,829 in federal expenditures in FY24-25 and subsequent years.
- The total increase in state expenditures will be \$224,304,309 (\$216,366,480 + \$1,000,000 + \$6,937,829) in FY24-25 and \$223,304,309 (\$216,366,480 + \$6,937,829) in FY25-26 and subsequent years.
- The total increase in federal expenditures will be \$1,963,236,149 (\$1,947,298,320 + \$9,000,000 + \$6,937,829) in FY24-25 and \$1,954,236,149 (\$1,947,298,320 + \$6,937,829) in FY25-26 and subsequent years.

IMPACT TO COMMERCE:

Other Commerce Impact – The estimated impact to commerce in the state cannot be reasonably determined due to a number of unknown factors. The proposed legislation would create an estimated \$2.1 billion dollars in state and federal funds be paid into the healthcare system. The majority of these funds will be paid to insurance companies that will then pay claims to health care providers.

Assumptions:

- There could be varying degrees of economic impact to the health care industry as a whole in the state of Tennessee including but not limited to health insurance companies, hospitals, clinics, individual health care providers, and pharmacists.

- An approximant 340,000 new individuals would now be enrolled in health insurance and could receive health care services that they are not currently seeking which could result in increased business for health insurance companies contracted with the state and health care providers within the MCO networks.
- Some of these individuals could obtain health insurance coverage through a private insurance company. These individuals would no longer be uninsured and could receive health care services that they are not currently seeking. Depending on the health status of these individuals, this could result in a positive or negative financial impact to the individual health insurance companies.
- Health care providers could incur economic impacts depending on the type of insurance and the medical coverage that is obtained by these individuals after receiving coverage versus the type of care the individual is receiving as an uninsured individual. Also, the cost for services can differ depending on health coverage, network discounts, etc.
- Due to a number of unknown factors which include, but are not limited to, the health status of those individuals obtaining health insurance through the plan, the type of health insurance plan that would be offered by employers, and the variation in costs for health care services, a reasonable estimate of the impact the proposed legislation may have on commerce cannot be determined.

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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