

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6497

BILL NUMBER: HB 1823

NOTE PREPARED: Jan 28, 2003

BILL AMENDED:

SUBJECT: State Budget and Tobacco Settlement Funds.

FIRST AUTHOR: Rep. Torr

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X

X

X

GENERAL

DEDICATED

FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill repeals the laws concerning the following: the formula for distributions from the Tobacco Master Settlement; the Tobacco Use Prevention and Cessation Trust Fund; the Biomedical Technology and Basic Research Trust Fund; the Local Health Department Trust Fund. The bill repeals the Health Care Trust Fund law and makes corresponding changes in Medicaid eligibility. The bill also repeals the Prescription Drug Fund law, but provides funding for the program from the General Fund. It appropriates \$20 M for the Prescription Drug Program from the General Fund. The bill repeals the laws concerning the Regional Health Care Construction Account; the Tobacco Farmers and Rural Community Impact Fund; the Children's Health Insurance Program; and the Health Insurance Educator. It also repeals a fraud statute regarding the Children's Health Insurance Program.

Effective Date: Upon passage; July 1, 2003.

Explanation of State Expenditures: *Summary:* This bill repeals the formula for distributions from the Tobacco Master Settlement and requires that funds received are to be deposited in the General Fund. These provisions will increase General Fund revenues by an estimated \$127.6 M in FY 2004 and \$129.3 M in FY 2005 (with a corresponding decrease in the dedicated funds). The bill appropriates \$20 M in state General Funds to the State Budget Agency for the Hoosier Rx program for FY 2004.

Individual Provisions of the Bill -

Hoosier Rx Provision: The bill eliminates the funding for the Hoosier Rx program from the Tobacco Master Settlement Fund and appropriates \$20 M in state General Funds for the program in FY 2004.

Tobacco Settlement Provisions: The bill repeals the distribution formula of the Tobacco Master Settlement Agreement funds and provides that these funds are to be deposited in the General Fund. This will provide for General Fund revenue of an estimated \$127.6 M in FY 2004 and \$129.3 M in FY 2005.

Tobacco Use Prevention and Cessation Trust Fund Provisions: The bill provides that funds unexpended in the Tobacco Use Prevention and Cessation Trust Fund be transferred to the General Fund on July 1, 2003. The bill also repeals the authority for the Tobacco Agency. The amount of funds to be transferred to the General Fund will depend upon administrative actions of the Tobacco Use Prevention and Cessation Advisory Board.

Regional Health Care Construction Account Provisions: The Regional Health Care Construction Account was established to provide funding for the sale of bonds issued by the State Office Building Commission. If any bonds have been issued, General Funds may be required to replace the dedicated funding source. The status of any approved expenditures under this appropriation will depend upon actions recommended by the Legislature and administrative action.

Repeal of CHIP Program: The bill repeals the statutory authority and the dedicated funding source of the state match for the Children's Health Insurance Program (CHIP) as of July 1, 2003. It further specifies that the program may not be discontinued until the State Plan amendment to do so has been approved by the U.S. Department of Health and Human Services. Depending upon the time necessary for a State Plan amendment, the loss of the state dedicated funding source on July 1, 2003, may not coincide with the cessation of services to individuals or the final payment of all incurred obligations. However, the Medicaid General Fund appropriation is open-ended, and at a minimum the Medicaid eligibility expansion portion of the CHIP program would have access to General Fund augmentations. The fiscal impact of this provision for FY 2004 is unknown, although the Tobacco Master Settlement Agreement Fund appropriation for CHIP for the year is \$23.1 M and \$25.8M in FY 2005. CHIP expenditures are reimbursed with a 73% federal match rate.

Medicaid Provisions: The bill repeals the CHIP program and also reduces the Medicaid financial eligibility level for Children to the "pre-CHIP" levels. Medicaid currently provides services for all children from birth to age 19 years with family incomes under 150% of the federal poverty guidelines. The CHIP Part C program covers children between 150% and 200% of the federal poverty level and requires a small monthly premium. The Tobacco Fund appropriation provides the state matching funds for both the Medicaid eligibility expansion and the CHIP Part C program. "Pre-CHIP" Medicaid eligibility levels were 150% of the federal poverty level for infants age 0 to one year; 133.3% of the federal poverty level for children ages 1 year to 6 years; and 100% of the federal poverty level for children ages 7 years to 19 years of age. 100% of the Federal Poverty Level is currently \$18,100 for a family of four; 150% is about \$27,150. The number of children that would lose eligibility as a result of the Medicaid eligibility adjustments are projected to be 46,778 children enrolled in FY 2004 and 48,182 in FY 2005. The number of children impacted by the elimination of the CHIP Part C program is projected to be 16,964 in FY 2004 and 19,339 in FY 2005. The total state and federal spending for the Medicaid/CHIP program described above is projected to be \$86.6 M in FY 2004 and \$98.0 M in FY 2005. The funding necessary for the process of eliminating the program would be dependent upon administrative actions.

The bill also repeals the Health Insurance Educator within the Department of Insurance. This program was a provision of PL 258-2001. Estimated to cost approximately \$50,000 annually, this program was identified as an item to be cut from the Department's budget last year as a cost savings measure. As a result there should be no fiscal impact.

The bill does not specifically mention what action is to be taken with regard to the trust portion of the Tobacco Master Settlement Fund. The State Budget Agency estimates the balance of the Trust to be \$244.9 M at the end of FY 2003.

Explanation of State Revenues: See *Explanation of State Expenditures*. The bill would reduce the federal funds received as reimbursement for Medicaid and CHIP program expenses.

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill reduces funds available to local health departments by \$3 M with the reduction of the Local Health Department Account distribution. Additionally, the bill reduces funds for Community Health Centers by \$16 M. The extent to which local health departments received grant support for local programs under the Tobacco Use Prevention and Cessation Fund grants is unknown.

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning, Division of Disability, Aging, and Rehabilitative Services, the Tobacco Use Prevention and Cessation Agency, State Department of Health, State Treasurer, State Budget Agency, State Department of Insurance, Office of the Commissioner of Agriculture.

Local Agencies Affected: Local Health Departments and Community Health Centers.

Fiscal Analyst: Kathy Norris, 317-234-1360