



Texas Health and Human Services Commission

FEDERAL FUNDS REPORT

State Fiscal Year 2013



Health and Human Services Commission (529)



Department of Family and Protective Services (530)



Department of State Health Services (537)



Department of Assistive and Rehabilitative Services (538)



Department of Aging and Disability Services (539)

December 2013

I. EXECUTIVE SUMMARY

The Texas Health and Human Services Commission is submitting the *Annual Federal Funds Report for Fiscal Year 2013* in accordance with Government Code, Section 531.028(c). This report highlights the critical role of federal funding in the health and human services system in Texas. Five state agencies comprise the health and human services (HHS) system:

- Health and Human Services Commission (HHSC)
- Department of Family and Protective Services (DFPS)
- Department of State Health Services (DSHS)
- Department of Assistive and Rehabilitative Services (DARS)
- Department of Aging and Disability Services (DADS)

During fiscal year 2013, the health and human services agencies spent approximately \$34.5 billion in all funds. Federal funds totaled \$19.8 billion or 58 percent of agency expenditures (see Figure 1). The HHS agencies used over 225 different sources of federal funds. Of those sources, the top 30 major federal funding streams accounted for approximately 99 percent of all federal funds to the HHS agencies. Medicaid is the largest federal funding source at 82 percent. The next largest is Children's Health Insurance Program/CHIP at almost 5 percent. A table of the top 30 federal funding sources used by the Texas health and human services agencies is attached as **Appendix A**.

Figure 1.

HHS Federal Funds State Fiscal Year 2013

Agency	*Federal Funds (\$ in millions)	Percent of Agency Expenditures
HHSC	\$13,883.5	59.4%
DFPS	\$712.2	52.2%
DSHS	\$1,150.9	38.2%
DARS	\$429.8	75.3%
DADS	\$3,672.6	59.7%
TOTAL	\$19,849.0	57.6%

**Note: Amount excludes Employee Benefits*

Source: HHS System FY 2014 Operating Budgets

This report outlines key federal issues challenging the health and human services agencies and identifies federal funds management practices undertaken to maximize receipt of federal funds to meet the mission of each health and human services agency. Also, included are highlights of the current federal budget outlook, pending program reauthorizations, and agency specific issues associated with federal appropriations or actions.

The effort to ensure Texas optimizes federal funding consistent with state policy goals to the extent allowable is a basic premise in the financial management of all five HHS agencies. With the development of federal cost allocation plans, active analysis of federal legislation, and careful assessment of opportunities to enhance federal funds for the state, HHS agencies are continually monitoring federal funding opportunities to ensure efficient and effective use of those dollars as well as any associated general revenue.

II. FEDERAL FUNDS: CURRENT ISSUES

Current issues affecting federal funding, such as the Federal Continuing Resolution for FY 2014, the Budget Control Act of 2011 (sequester), and rising caseloads for Medicaid and other entitlement programs, can impact the state's ability to receive federal funds for services to clients.

Federal Budget Outlook

Continuing Appropriations Act 2014

On October 16, 2013, Congress ended a 16-day shutdown by passing the Continuing Appropriations Act 2014, H.R. 2775, which funded the federal government through January 15, 2014 and suspended the debt limit through February 7, 2014. States were reimbursed for state funds expended on essential services in place of federal funds. H.R. 2775 also provided short-term extensions for programs like Temporary Assistance for Needy Families and required the U.S. Department of Health and Human Services to find a way to verify income for people seeking health-insurance subsidies under the Affordable Care Act. It also allowed the U.S. Department of the Treasury to use "extraordinary measures" to meet obligations if Congress does not raise the debt ceiling by February 7, 2014.

During the time that the federal government was partially shut down, HHS agencies worked to minimize the interruption to services. In order to keep Disability Determination Services fully running, DARS spent \$716,135 in general revenue in lieu of federal funds, with the understanding that those funds would be reimbursed once the government was operating again. Other HHS agencies relied on prior year federal balances to ensure continuity of services. In the end, all general revenue spent in place of federal dollars was reimbursed and services were not adversely affected, although significant staff time was required to monitor and manage issues arising from the federal budget delay.

As part of the agreement to end the October shutdown, Congress established a conference committee to craft a budget plan and set overall FY 2014 discretionary funding levels (which could potentially address sequestration) by December 13, 2013. On December 10, 2013, the conference committee came to an agreement in the form of the Bipartisan Budget Act of 2013. In order to avoid another shutdown, the agreement must be passed by the House and Senate prior to the continuing resolution expiring on January 15, 2014. In the event of another shutdown in January 2014, timelines requiring state leadership decisions will be moved up due to multiple factors, including the shutdown beginning in the middle of a month and later in the fiscal year.

Sequestration

The Budget Control Act of 2011 required across-the-board funding reductions to previously appropriated dollar levels, commonly referred to as sequestration. In FY 2013, HHS agencies were able to manage funding without significant negative effect on services and anticipate

similarly managing the sequester reductions in FY 2014. However, FY 2015 may offer challenges as balances are depleted due to the reductions. The following are examples of potential sequestration impacts to agencies:

- HHSC has less than one percent of its budget subject to sequestration or approximately \$5 million reduction from fiscal year 2013 to fiscal year 2014 in the Refugee and Entrant Assistance, Family Violence Prevention and Services, and Social Services Block Grant funding.
- DSHS does not anticipate a negative impact of sequestration in fiscal year 2014 and is continuing to analyze information in order to assess any impact sequestration may have in 2015.
- DFPS expects most Title IV funding not to be subject to sequestration. Parts of Title IV-B (parts 1 and 2) could be reduced up to \$1.7 million in fiscal year 2014 as compared to FY 2013. The Child Care and Development Block Grant could see reductions of \$1.2 million in 2014.
- DARS is not anticipating a negative impact of sequestration in fiscal years 2014 or 2015. The sequestration impact to the Vocational Rehabilitation funding is mitigated by the fact that DARS was not appropriated sufficient GR to match the full grant award. Therefore, any potential adverse impacts are avoided.

Pending Federal Reauthorizations

Transitional Medical Assistance and Qualifying Individuals Programs

The Transitional Medical Assistance (TMA) and Qualifying Individual (QI) programs are currently authorized through December 31, 2013. Under TMA, low-income Medicaid beneficiaries who would otherwise become ineligible for Medicaid due to new or increased wages or hours at a job are entitled to up to 12 months of Medicaid benefits. If not reauthorized, TMA will be provided for a more limited period of four months. Under QI, individuals receive help with part of their Medicare expenses through state Medicaid programs. This program will be eliminated if not reauthorized by the end of 2013.

Supplemental Nutrition Assistance Program (SNAP)

SNAP must be reauthorized by December 31, 2013. If SNAP is not reauthorized by the December 31st deadline, the law would revert to 1940 regulations which would result in the status quo for SNAP spending. The current House proposal would cut SNAP spending by \$40 billion over 10 years, while the Senate version would cut SNAP spending by \$4 billion over the same time period. SNAP benefits were reduced effective November 1, 2013 when the benefit increases authorized by the 2009 American Recovery and Reinvestment Act expired.

The reauthorization proposals currently under consideration include an increased focus on retailer trafficking and other provisions to target SNAP fraud, elimination of categorical eligibility, elimination of certain employment and training exemptions that will require most able bodied adults to find work, and elimination of performance bonuses to states.

Workforce Investment Act

The Workforce Investment Act is pending reauthorization. This is the main vehicle for reauthorizing the Vocational Rehabilitation funding to DARS. Historically, in the absence of Congressional action, the appropriations process has served to extend the program.

There are currently two bills introduced related to this issue:

- H.R. 803 - The Supporting Knowledge and Investing in Lifelong Skills Act or SKILLS Act consolidates or eliminates 36 job training programs which are deemed to be duplicative, overlapping programs. Vocational Rehabilitation is currently not included on the list of eliminated programs. The bill passed the House and was referred to the Senate Committee on Health, Education, Labor, and Pensions. No further action has been taken.
- S. 1356 - The Workforce Investment Act of 2013 provides funding for a number of workforce programs including VR. The bill proposes a number of changes to the VR programs, including moving the Rehabilitation Services Administration from the U.S. Department of Education to the U.S. Department of Labor. No vote has been taken on this bill in the Senate.

Temporary Assistance for Needy Families (TANF)

Since expiring in 2010, Congress has extended the TANF block grant multiple times. The most recent extension was part of the Continuing Appropriations Act, 2014 (P.L. 113-46) passed in October 2013, and extends TANF through January 15, 2014.

A separate allotment of TANF called "Contingency Funds" is not dependent on a continuing resolution or passage of a "new" Congressional budget action due to an extended authorization approved through federal fiscal year 2014.

Child Care and Development Fund (CCDF)

CCDF funds provide protective, relative and foster day care services as well as staffing costs associated with Child Care Regulation. The mandatory/ matching portion of the CCDF is included in the TANF authorization. The continuing resolution of October 17, 2013 extends TANF and related programs from September 30, 2013, until January 15, 2014, at fiscal year 2013 levels.

Children’s Health Insurance Program (CHIP)

The Patient Protection and Affordable Care Act was passed in March 2010. Among many provisions, the laws extend the authorization of the federal CHIP program for an additional two years, through September 30, 2015. The laws require states, upon enactment, to maintain current income eligibility levels for CHIP through September 30, 2019. States are prohibited from implementing eligibility standards, methodologies or procedures that are more restrictive than those in place as of March 23, 2010, with the exception of waiting lists for enrolling children in CHIP.

Ryan White HIV/AIDS Treatment Extension Act of 2009

The Ryan White HIV/AIDS Treatment Extension Act of 2009 expired on October 1, 2013. Despite no reauthorization from Congress, appropriations can continue because the Act is not a self-repealing appropriation. While it is certain that all health appropriations will be examined more closely in light of ACA and sequestration, substantive changes to the Ryan White Program are unlikely until the effects of ACA are more clearly understood.

Adoption Incentive Program

The Adoption Incentive Program expired on September 30, 2013. Reauthorization of this program known as The Promoting Adoption and Legal Guardianship for Children in Foster Care Act (H.R. 3205) was passed by the House on October 22, 2013 and has been sent to the Senate. In fiscal year 2013, DFPS was awarded \$10 million for the Adoption Incentive Program based on 2012 consummated adoptions data. Grant award amounts are anticipated to decrease due to revised methodology in the proposed Act. Adoption Incentive funds are utilized to support CPS Direct Delivery staffing and purchased client services.

Agency Specific Federal Issues

This section includes information on specific federal funding issues affecting specific health and human services agencies.

Title IV Part E Federal Payments for Foster Care and Adoption Assistance (DFPS)

Texas is experiencing a decline in federal financial participation of Title IV-E administrative funding. The methodology for claiming administrative funds uses a population ratio which is the percentage of each state’s foster care caseload that qualifies for federal financial participation. The population ratio is calculated by dividing the number of children in DFPS conservatorship by the number of IV-E eligible children in IV-E eligible placements. There are two reasons for this decline.

- Income eligibility for Title IV-E is linked to the 1996 Aid to Families with Dependent Children (AFDC) standards, and can only be adjusted through a federal law change. To qualify for IV-E funds today, a child has to come from a poorer household today than he or she would have had to in 1996.

- DFPS uses relative placements for many children in conservatorship, and relative placements are not IV-E eligible placements since they have not been verified as a foster home. As the percentage of children in conservatorship who are in relative placements increases, the population ratio decreases.

Disability Determination Services Program (DARS)

The Disability Determination Services (DDS) program is 100 percent federally funded and is exempt from the sequestration legislation. However, the DDS program continues to operate under a hiring freeze issued by the Social Security Administration. While the program continues to perform better than the national average for case processing times, the Department of Assistive and Rehabilitative Services remains concerned about the inability to hire and continues to discuss staffing levels with the Social Security Administration.

Public Health Preparedness (DSHS)

In March 2013, Congress passed, and the President signed, the Pandemic and All-Hazards Preparedness Reauthorization Act to advance national health security. The 2013 reauthorization of the 2006 Pandemic All-Hazards Preparedness Act, provided states and independently funded jurisdictions with funding for public health and medical preparedness programs, such as the Hospital Preparedness Program (HPP) and the Public Health Emergency Preparedness (PHEP) Cooperative Agreement. Additionally, the act provided increased flexibility in allowing states to temporarily deploy federally funded state personnel, funded in programs other than preparedness, to meet critical community needs in a disaster. Texas uses dollars from these programs to fund public health and medical preparedness activities at the state, regional and local levels.

Over the last five years, Congress has continued to reduce Texas' allocations for the HPP and PHEP Cooperative Agreement. The agency anticipates an additional decrease for both programs in fiscal year 2015. Further reductions in funding may diminish state, regional and local public health and healthcare partners' ability in an all-hazards response. Such capacity reductions may include, but are not limited to, epidemiologic surveillance, investigation and response to disease outbreaks and environmental health concerns; provision of medical surge of essential healthcare providers and services; and, planning efforts for the mitigation of natural and man-made disasters.

Texas Birth Defects Research Center (DSHS)

The existing funding received through the Centers for Disease Control and Prevention (CDC) for the Texas Birth Defects Research Center at DSHS ended in November 2013. CDC granted a six month extension through May 31, 2014 to allow expenditure of remaining funds from the prior period. Federal funding has supported the Texas Birth Defects Center for the last 18 years. The current annual funding level is \$800,000. Continued funding from CDC under the current grant is not available to states in 2014 for birth defects research. In addition, federal Title V funding historically provided almost 50 percent of the Birth Defects Registry (non-research) operations.

Title V funding was reduced in 2014, and it is not certain to what extent continued Title V funding for birth defects registry operations will be available in 2015.

Title X-Family Planning Services (DSHS)

In March 2013, DSHS was notified that they would no longer receive the federal Title X Family Planning Services grant funds. Those funds were awarded to a new grantee in Texas, a private association.

In April 2013, DSHS received an extension from the federal agency, the Office of Population Affairs, through August 31, 2013 to expend remaining federal Title X Family Planning Services grant funds to continue providing access to family planning services and ensure that infrastructure remained intact until other funding became available.

Healthcare Transformation and Quality Improvement Waiver (HHSC)

Texas did not fully expand managed care in the past due in part to federal policy that prohibits states from continuing upper payment limit (UPL) hospital supplemental payments for Medicaid beneficiaries who transition from fee-for-service to a capitated managed care delivery system. To meet legislative mandates to preserve funding, expand managed care, achieve savings, and improve quality of care, HHSC entered into negotiations with the Centers for Medicare and Medicaid Services (CMS) and on December 12, 2011, Texas received approval from CMS for an 1115 transformation waiver with the following goals:

- Expand risk-based managed care statewide;
- Support the development and maintenance of a coordinated care delivery system through the creation of Regional Healthcare Partnerships (RHPs) and RHP five-year care and quality improvement transformation plans;
- Improve outcomes while containing cost growth;
- Transition to a quality-based payment system across managed care and hospitals; and
- Provide a mechanism for investments in delivery system reform including improved coordination in the current indigent care system.

The waiver allows the state to expand Medicaid managed care while preserving hospital funding, provides incentive payments for health care improvements, and directs more funding to hospitals and other providers that serve large numbers of Medicaid and uninsured patients. Hospital payments remained largely the same for the first year of the waiver, with hospital transition payments through September 30, 2012. This approach provided transition time and system stability during development and implementation of waiver payment systems. Starting October 1, 2012, waiver payments were made only through two sub-pools: the Uncompensated Care (UC) and Delivery System Reform Incentive Payment (DSRIP) pools.

- **Uncompensated Care Pool Payments** are designed to help offset the costs of uncompensated care provided by hospitals or other providers to Medicaid clients or individuals who have no sources of third party coverage.
- **DSRIP Pool Payments** are incentive payments to hospitals and other providers that develop programs or strategies to improve access to health care, quality of care, cost-effectiveness of care, and the health of the patients and families served.

The table below shows the total amounts that the state is authorized to allocate for the UC and DSRIP Pools in each demonstration year (DY). These amounts include both state and federal shares.

Figure 2

Pool Allocations According to Demonstration Year (All Funds in Billions)

Type of Pool & Percent Allocation	DY 1 (2011-2012)	DY 2 (2012-2013)	DY 3 (2013-2014)	DY 4 (2014-2015)	DY 5 (2015-2016)	Total
UC	\$ 3.7	\$3.9	\$3.5	\$3.3	\$3.1	\$17.6
DSRIP	\$0.5	\$2.3	\$2.7	\$2.9	\$3.1	\$11.4
Total/DY	\$4.2	\$6.2	\$6.2	\$6.2	\$6.2	\$29.0
% UC	88%	63%	57%	54%	50%	60%
% DSRIP	12%	37%	43%	46%	50%	40%

The waiver allowed the state to increase available funding to hospitals and other providers by including use of trends for historic UPL funds and availability of additional funds from managed care savings. In fiscal year 2011, UPL hospital payments were \$2.8 billion compared to \$4.2 billion available for UC and DSRIP combined in the first year of the waiver.

Under the transformation waiver, eligibility for UC or DSRIP payments requires participation in a Regional Healthcare Partnership (RHP). HHSC established 20 RHPs in May 2012. Within an RHP, participants include governmental entities providing public funds known as intergovernmental transfers, Medicaid providers and other stakeholders. Participants developed a regional plan identifying partners, community needs, proposed DSRIP projects, and funding distribution. Each RHP is required to have one anchoring entity, which acts as a primary point of contact for HHSC in the region and is responsible for seeking regional stakeholder engagement and coordinating development of the regional plan. RHPs submitted their plans to HHSC by December 31, 2012. As of October 1, 2013, out of the 1,323 DSRIP projects HHSC submitted to CMS on behalf of the 20 RHPs, 1,224 are approved for their first two years' funding, 48 are pending a CMS decision, 23 will be replaced with a different project, and 28 have been withdrawn by the provider. Based on approved and pending projects, Texas providers have the potential to earn \$4.3 billion in DSRIP funds in demonstration years (DY) 2 and 3.

UC payments for DY1 of the waiver were completed in June 2013. To accommodate for cash flow issues in some hospitals, hospitals that received disproportionate share hospital (DSH)

payments for 2012 and hospitals that received transition payments under the waiver are eligible for advanced UC payments in October and November 2012. Half of the UC payments for DY 2 were advanced to providers in August 2013.

Most DSRIP payments for DY1 were paid out between March and June 2013, with over \$489 million paid out by November 2013. DSRIP payments for DY2 were made in October 2013 (\$506 million) and will be made in January 2014 (amount to be determined).

Title V Maternal and Child Health Services Block Grant (DSHS)

The federal Health Resources and Services Administration (HRSA) historically used the United States Census Bureau's official decennial census data in part to determine the allocation formula for the Title V Maternal and Child Health Services Block Grant based on the number of children living in poverty (in an individual state) as compared to the total number of children living in poverty in the United States. Starting with state fiscal year 2013, HRSA now uses the American Community Survey poverty estimates in part to determine the allocation formula. This provides more real-time, relevant data in which to allocate funds to the states.

The Maternal and Child Health Block Grant application is due on July 15th of each year for the upcoming federal fiscal year. It is unknown at this time how the implementation of the ACA will impact the future of the Title V Maternal and Child Health Block Grant. Discussion is currently ongoing with the Maternal Child Health Bureau on potential changes for the Block Grant. DSHS monitors these communications and provide feedback to these discussions as applicable.

Mental Health and Substance Abuse Block Grants (DSHS)

The Mental Health and Substance Abuse Block grant programs award funds to states to establish, expand or enhance an organized, community-based system for providing mental health services for adults with serious mental illness, children with serious emotional disturbances, and adults and adolescents with or at risk for Substance Use Disorders.

The federal Substance Abuse and Mental Health Services Administration asked states to provide a coordinated and combined state plan application beginning for the 2012 Mental Health Block Grant and the Substance Abuse Prevention and Treatment Block Grant, although funding will continue to remain separate. In light of the Affordable Care Act, the federal Substance Abuse and Mental Health Services Administration recommends that the block grant funds address services and activities focusing on the primary prevention of mental and substance use disorders.

Preventive Health and Health Services Block Grant (DSHS)

The Preventive Health and Health Services Block Grant has provided states the flexibility to prioritize the use of funds for 30 years to fill funding gaps in public health programs that dealt with leading causes of death and disability, to prevent and control chronic diseases such as heart disease, diabetes, and arthritis, as well as the ability to respond rapidly to emerging health issues including outbreaks of foodborne infections and water borne diseases. The funds allowed states to respond to the diverse, complex, and constantly changing public health needs of their

communities and were the major source of funding to public health agencies to address health needs and problems such as immunization, tuberculosis, cancer and heart disease.

In 2013, Texas received \$3 million of block grant funds to support 59 statewide local health departments, as well as the Office of the Attorney General Sexual Assault Prevention and Crisis Services program. Maintaining support for this grant is critical in allowing Texas to focus funds on prevention measures that yield clear benefits in terms of quality of life and savings.

III. AFFORDABLE CARE ACT IMPACT

In March 2010, the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Affordability Reconciliation Act of 2010, collectively known as the Affordable Care Act (ACA), were signed into federal law. Key provisions of ACA include:

- Requiring all U.S. citizens and legal residents to obtain health coverage that meets federal standards (individual mandate)
- Eliminating lifetime and annual benefit limits/restrictions
- Prohibiting pre-existing conditions exclusions
- Allowing dependent coverage up to age 26
- Eliminating out-of-pocket expenses for preventive services
- Creating Health Benefit Exchanges to serve as marketplaces for individuals and small business employees to compare and purchase health coverage
- Providing federal health coverage subsidies for individuals 100-400 percent of the federal poverty level enrolling for health insurance coverage through the Marketplace
- Requiring health insurance issuers to pay a federal tax based on the percentage of national market share

While the June 2012 ruling by the Supreme Court effectively made expansion of Medicaid optional, HHSC has implemented Medicaid and CHIP provisions which are either required by federal law or authorized by state law. These include:

- Allowing children enrolled in Medicaid and CHIP to elect hospice care without waiving their rights to treatment for their terminal illness
- Making freestanding birthing centers eligible for Medicaid reimbursement
- Claiming federal matching funds for school and state employees' children enrolled in CHIP
- Adding tobacco cessation counseling as a Medicaid benefit for pregnant women
- Making drug rebate formulary changes
- Implementing a pharmacy carve-in for Medicaid and CHIP managed care
- Adding several program integrity provisions

From January 2013 through December 2014, the federal government will fund with 100 percent federal funding the difference between Medicaid rates as of July 2009 and Medicare reimbursement levels for certain Medicaid primary care providers. For the affected Medicaid rates that were reduced after July 2009, the state must pay the regular state matching share to restore the rate reduction, approximately 2 percent.

DSHS anticipates that certain key public and mental health activities will be impacted by the third-party insurance component of ACA beginning in fiscal year 2015. These activities include: infectious disease control, prevention, and treatment; health promotion and chronic disease prevention; laboratory services; primary care and nutrition services; behavioral health services; community capacity; and state-owned and privately-owned hospital services.

Overview of ACA Funding to the HHS System

Federal funding under the Affordable Care Act was awarded to four of the five HHS agencies. DARS is the exception. In 2012 and 2013, approximately \$434 million in federal funds were expended by the four HHS agencies primarily related to vendor drug rebates, information technology, including eligibility system enhancements, and CHIP. In 2014, a large part of the anticipated \$1.4 billion in federal ACA funding is related to primary care rate increases (excludes the enhanced federal match for eligibility related costs). As part of the Operating Budget instructions, agencies reported the budgetary impacts of federal health care reform. The table below (Figure 3) summarizes the impact related to federal healthcare reform.

Figure 3

Budgetary Impacts Related to Healthcare Reform

	<u>FY2012 Exp</u>	<u>FY2013 Exp</u>	<u>FY2014 Bud</u>
DSHS	\$14.7	\$21.6	\$19.4
DADS	\$6.3	\$4.3	\$4.7
DFPS	\$0.0	\$0.2	\$0.7
HHSC	\$141.8	\$245.2	\$1,409.1*
HHS Totals	\$162.8	\$271.3	\$1,433.9

**Note: Amount does not include potential enhanced federal match for eligibility related costs.
Source: HHS System FY 2014 Operating Budgets, Federal Funds*

Other ACA Programs and Provisions

ACA provisions currently in the planning or implementation stage at the Texas health and human service agencies include:

- Balancing Incentives Payment program
- Community First Choice
- Primary Care provider rate increases
- Disproportionate Share Hospital program
- Related Grants

Balancing Incentives Program - BIP (HHSC/DSHS/DADS)

The ACA established the BIP which increases the Federal Medical Assistance Percentages (FMAP) to participating states through September 30, 2015 in exchange for states making certain structural reforms to increase access to Medicaid community-based long-term services and supports. Texas is entitled to a two percent enhanced level of funding for Medicaid community-based expenditures. The state's BIP application was approved on September 4, 2012, and Texas was awarded up to \$301.5 million.

The BIP initiative furthers state goals for community services on projects administered by HHSC, DSHS, and DADS. Within each agency, multiple divisions have direct responsibility for their specific program. By October 1, 2015, Texas must make the following changes:

- Benchmark Attainment – 50 percent of Medicaid long-term services and supports expenditures for community-based programs.
- No Wrong Door/Single Entry Point System – statewide coordinated system that provides information on available services and how to apply for services; makes referrals, determines financial and functional eligibility or provides assistance with assessments for financial and functional eligibility.
- Core Standardized Assessment Instrument(s) – standardized assessment instruments used in a uniform manner throughout the state to determine eligibility, identify service and support needs, and inform care plan development. Assessment instruments must address activities of daily living, instrumental activities of daily living, medical conditions/diagnoses, cognitive functioning/memory, and behavior concerns.
- Conflict-Free Case Management – separation of case management and eligibility determination from service provision (e.g., through administrative separation of services and enhanced state oversight). The goal of this provision is to ensure that individuals who perform assessments or evaluations or develop plans of care for an individual do not have a conflict of interest, such as being the individual’s relative or paid caregiver, being financially responsible for the individual or having the authority to make decisions on the individual’s behalf.
- Other Projects - creation of a new Medicaid community attendant program, increase in wages for community-based direct service workers, additional services to existing waiver program, and expansion of aging and disability resource centers.

Community First Choice - CFC (HHSC/DADS)

The CFC federal program allows states to provide home and community-based attendant services and supports as Medicaid entitlement services for individuals:

- Above 150 percent FPL if they:
 1. are already eligible for state plan services
 2. require an institutional level of care
 3. are in an eligibility group that includes nursing facilities (NF) services
- At or below 150 percent if they meet requirements 1 and 2 above.

CFC would allow Texas to obtain a more favorable match rate for some services that are currently being provided at the regular Federal match rate. The six percent increase in federal matching funds would be received for habilitation services that are provided to individuals meeting Intermediate Care Facility for people with Intellectual Disabilities level-of-care criteria

through four intellectual and developmental disability (IDD) waivers administered by DADS. These include Community Living Assistance and Support Services, Deaf Blind with Multiple Disabilities, Home and Community Based Services, and Texas Home Living.

Attendant care is being provided to individuals meeting NF criteria through the Community Based Alternatives and Medically Dependent Children Program waivers at DADS, and the STAR+PLUS waiver at HHSC. In addition, some of the individuals receiving non-waiver attendant care at DADS (Primary Home Care) or at HHSC (non-waiver attendant care through STAR+PLUS or Personal Care Services) meet the NF level-of care criteria.

Texas would also be required to determine whether individuals who are currently receiving non-waiver attendant care meet NF criteria, and if so offer emergency response services as a new Medicaid entitlement service to that population.

Finally, CFC would enable some adults with IDD on waiver interest lists to receive community-based attendant/habilitation services as a Medicaid entitlement service.

Primary Care Rate Increase (HHSC)

The ACA provides a temporary rate increase for certain primary care providers and services from January 1, 2013 through December 31, 2014. States receive 100 percent federal match for the difference in the July 1, 2009 Medicaid rate and the 2013-2014 Medicare rates except for the portion necessary to restore reductions made by the state (approximately 2 percent). Texas will issue the rate increase as a supplemental payment to eligible providers for services rendered and payments will be issued on a quarterly basis. The state plan amendment and managed care contracts must be approved by the Centers for Medicare & Medicaid Services prior to payment issuance, expected to begin in calendar year 2014.

Disproportionate Share Hospital Program-DSH (HHSC)

Currently, states make Medicaid DSH payments to hospitals that serve a disproportionate share of low income patients and have high levels of uncompensated care costs. The Affordable Care Act requires reductions to state DSH allotments annually from fiscal year 2014 through fiscal year 2020. The ACA's expansion of coverage through private insurance and Medicaid is expected to reduce the amount of uncompensated care covered by hospitals and providers.

The federal government has released preliminary DSH allocations for federal fiscal year 2014. The preliminary allocation for Texas is \$1,669,385,555, as compared to the federal fiscal year 2013 allocation of \$1,694,336,015. Without the ACA reduction, the allotment to Texas would have been \$1,737,625,449. The Bipartisan Budget Act pending in Congress includes provisions to delay reductions until FY 2016 and extend the reductions to FY 2023.

Related Grants

Several DSHS prevention and public health programs were funded through appropriations included in provisions of the Affordable Care Act. Examples include: epidemiology and infectious disease prevention; chronic disease and health promotion; immunization; nutrition, physical activity and obesity; breast and cervical cancer; and tobacco cessation services.

ACA also included funding to HHS agencies for initiatives such as:

- Elder Abuse Prevention (DFPS),
- Medicare Improvements for Patients and Providers-MIPPA (DADS), and
- Maternal, Infant, and Early Childhood Home Visiting Program-MIECHV (HHSC).

IV. FEDERAL FUNDS ENHANCEMENT INITIATIVES

The health and human services agencies were successful in efforts to enhance revenue and maximize the use of federal funds during the current biennium. By working with various federal agencies, the state identified expenditures where additional federal funds could be claimed and qualified for new opportunities to bring additional dollars to Texas. The health and human services agencies continue to seek innovative ways to increase access to federal funds that support the state's mission and interests.

Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund

The American Recovery and Reinvestment Act of 2009 provided states the opportunity to receive additional funding through the TANF Emergency Contingency Fund. As a result of revenue maximization efforts, HHSC submitted and received approval from the federal Administration for Children and Families for increased expenditures in non-recurrent short-term benefits. This included utility assistance (\$15.6 million) and donated food and volunteer hours provided by food banks (\$21.2 million). A portion of the funds were allocated to the Texas Food Bank Network to allow food banks to purchase Texas-grown or manufactured products and bulk purchase staples, such as peanut butter, beans, or rice that food banks identified as being in short supply. Additionally, a portion of the funds have been allocated to the Department of Family and Protective Services through fiscal year 2015 to create a rapid response team to provide additional and focused staff resources on areas with significant personnel and caseload needs.

TANF Contingency Fund

In 2013 Texas applied for and received approximately \$42.5 million in additional funds requested through the TANF Contingency Funds grant. These funds are separate and apart from the TANF Emergency Contingency Funds and were created under the Personal Responsibility and Work Opportunity Reconciliation Act.

Unlike the regular TANF block grant which provides a fixed funding amount to states regardless of economic conditions, the TANF Contingency Fund provides additional TANF funds to states in times of economic downturn when states reach high levels of unemployment and/or food stamp caseloads. Texas met the threshold, based on SNAP caseload. TANF Contingency Funds can be used for any purpose for which regular TANF funds are used but must be spent in the fiscal year they are received.

If the state remains eligible, HHSC will continue to apply for TANF Contingency Funds.

FY 2013 Top 30 HHS Enterprise Federal Funding Sources (in millions)

Rank	CFDA	Fed Agcy	Federal Grant Title	GR Match Y/N	TOTALS HHS System Est FY2013	HHSC	DADS	DSHS	DFPS	DARS
<i>(in millions)</i>										
1	93.778	HHS-CMS	Title XIX - Medicaid/Medical Assistance Program (multiple grants) - medical assistance for children, pregnant women and elderly providing inpatient/outpatient hospital, physician services, nursing facility care, home health care, family planning, rural health clinic, lab/x-ray, FQHC, and EPSDT under age 21.	Y	\$16,231.8	12,629.4	\$3,439.6	\$119.5	\$8.8	\$34.5
2	93.767	HHS-CMS	State Children's Health Insurance Program/CHIP - preventive care; inpatient/outpatient hospital services for children from low-income families not eligible for Medicaid up to age 19.	Y	\$945.2	945.2				
3	10.557	USDA	Special Supplemental Nutrition Program for Women, Infants, and Children/WIC (2 grants) - supplemental nutritious foods, nutrition education, infant formula, purchase of breast pumps, referral services to social/medical providers, tests for anemia, and vendor management. Healthcare services are not allowable.	N	\$505.0			\$505.0		
4	93.558	HHS-ACF	Title IV Part A-Temporary Assistance for Needy Families/TANF & TANF to Title XX (Block Grant) - broad flexibility for cash assistance, employment services, adult education to children under age 18 (or 18 and attending school) and parents or relative caretakers of children, cannot be used for medical assistance, except pre-pregnancy family planning.	N	\$331.6	48.2		\$22.0	\$245.3	\$16.1
5	84.126	DOE	Vocational Rehabilitation Grants to States (2 grants) -for vocational rehabilitation services including assessment, counseling, vocational or other training, job placement, reader services for blind, interpreter services for deaf, medical and related services, prosthetic and orthotic devices, transportation to secure vocational services.	Y	\$192.7					\$192.7
6	93.658	HHS-ACF	Title IV E-Foster Care (multiple grants) - provides safe, 24-hour substitute care for children under jurisdiction of state-payments to foster family homes, child-care institutions, public/nonprofit child placement agencies; food, clothing, shelter, daily supervision, school supplies; funds cannot be used for counseling or treatment services.	Y	\$194.6				\$194.6	
7	10.561	USDA	State Administration for Supplemental Nutrition Assistance Program SNAP aka Food Stamps - for administrative costs to screen/certify applicants; issue benefits; conduct fraud investigations; provide fair hearings; conduct nutrition education activities. Excludes SNAP benefits.	Y	\$163.8	163.8				
8	93.667	HHS-ACF	Title XX-Social Services Block Grant (SSBG) - to prevent, reduce or eliminate dependency; achieve or maintain self-sufficiency; prevent neglect, abuse or exploitation of children and adults; prevent or reduce inappropriate institutional care; or secure admission or referral for institutional care when other forms not appropriate. Funds family planning and rehabilitation services. <u>DADS</u> -home-based services, home delivered meals, adult foster care, residential care, adult day care, personal assistant services, attendant care, emergency response services; <u>DSHS</u> -family planning services, children's mental health services; <u>DFPS</u> -protective services for adults and children, mental health and mental retardation investigations.	N	\$124.2	0.6	\$83.7	\$7.2	\$32.6	
9	96.001	SSA	Disability Determinations - to conduct disability determination and evaluate disability status for identifying clients eligible for Supplemental Security Income/SSI and Social Security Disability Insurance/SSDI.	N	\$116.3					\$116.3
10	93.959	HHS-SAMHSA	Substance Abuse Prevention and Treatment Block Grant - to develop and implement prevention, treatment, and rehabilitation activities to address alcohol and drug abuse.	N	\$129.9			\$129.9		

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(in millions)										
11	93.659	HHS-ACF	Title IV E-Adoption Assistance (multiple grants) - for subsidy payments, administrative expenses for placing children in adoption and training of professional staff and parents.	Y	\$106.0				\$106.0	
12	93.917	HHS-HRSA	HIV Care Formula Grants - for healthcare and support services for individuals and families with HIV. State must use 75% on core medical services such as outpatient and ambulatory health care, AIDS Drug Assistance Program, oral health care, medical case management, and health insurance premiums; and 25% for support services such as respite care, outreach services and medical transportation.	Y	\$86.6			\$86.6		
13	93.074	HHS-CDC	Public Health Emergency Preparedness/Hospital Preparedness (multiple grants) - for providing resources that support state, local, territorial, and tribal public health departments and healthcare systems/organizations in demonstrating measurable and sustainable progress toward achieving public health and healthcare emergency preparedness capabilities that promote prepared and resilient communities.	Y	\$69.5			\$69.5		
14	93.777	HHS-CMS	Survey and Certification of Health Care Providers and Suppliers/Medicare (multiple grants) - for inspecting providers and suppliers of health care services, to ensure mandatory adherence to Medicare/Medicaid health and safety standards and conditions; and includes activities such as performing survey activities and administration of the program.	N	\$47.9		\$43.8	\$4.1		
15	93.566, -576, -584	HHS-ACF	Refugee and Entrant Assistance (multiple grants, includes 93.576/93.584) - for assistance provided to refugees, asylees, Cuban and Haitian entrants, victims of severe forms of trafficking, and certain Amerasians from Vietnam and Iraqi and Afghan Special Immigrant Visa holders for resettlement in the US, includes cash and medical assistance and social services.	N	\$47.8	33.1		\$10.2	\$4.5	
16	93.791	HHS-CMS	Money Follows the Person Rebalancing Demonstration - for assisting states to balance their long-term care systems and help Medicaid enrollees transition from institutions to the community.	Y	\$42.9	25.9	\$15.2	\$1.8		
17	93.556	HHS-ACF	Title IV Part B-Promoting Safe and Stable Families - for family preservation, family support services such as respite or parenting skills training, family reunification services and adoption promotion.	Y	\$34.8				\$34.8	
18	93.045	HHS-Admin for Comm Living	Title III Part C-Special Programs for the Aging-Nutrition Services - for meals, nutrition education and other nutrition services to reduce hunger and food insecurity, promote socialization and promote health and well-being of older individuals.	Y	\$36.1		\$36.1			
19	93.958	HHS-SAMHSA	Community Mental Health Services Block Grant - for providing comprehensive community mental health services to adults with a serious mental illness and to children with a serious emotional disturbance; monitoring progress in implementing a comprehensive community-based mental health system; and providing technical assistance.	N	\$34.9			\$34.9		
20	84.181	DOE	Special Education Grants - for implementing and maintaining a comprehensive, coordinated, multidisciplinary, interagency system to make available early intervention services to infants and toddlers, birth thru 2, with disabilities and their families.	N	\$34.2					\$34.2

FY 2013 Top 30 HHS Enterprise Federal Funding Sources (in millions)

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<i>(in millions)</i>										
21	93.994	HHS-HRSA	Title V-Maternal and Child Health Services Block Grant - for developing systems of care for the provision of health services and related activities including planning, administration, education and evaluation; and maintain a toll-free information line for parents and Medicaid providers. States must use 30% of funds for preventive and primary care services for children and at least 30% for children with special healthcare needs.	Y	\$32.3			\$32.3		
22	93.575	HHS-ACF	Child Care and Development Block Grant - for child care assistance for low-income families; including quality expansion; infant and toddler quality improvement; and child care resource and referral, including a national toll-free hotline; and school-age child care.	N	\$29.0				\$29.0	
23	93.645	HHS-ACF	Child Welfare Services Program - for development and expansion of a coordinated child and family services program that utilizes community-based agencies and ensures all children are raised in safe, loving families, including protecting and promoting the welfare of all children; preventing abuse, neglect, or exploitation; supporting at-risk families through services that allow children to remain with their families or return to their families in a timely manner; promoting the safety, permanence, and well-being of children in foster care and adoptive families; and providing training, professional development, and support to ensure a well-qualified workforce.	Y	\$30.6				\$30.6	
24	93.044	HHS-Admin for Comm Living	Title III Part B-Special Programs for the Aging for Supportive Services and Senior Centers - for community-based systems of service for older individuals via state and area planning and provision of supportive services, including multipurpose senior centers. Funds to maximize the informal support provided to older Americans to enable them to remain independent in their homes and communities, including transportation services, in-home services, and other support services.	Y	\$24.1		\$24.1			
25	93.268	HHS-CDC	Immunization Grants - for costs associated with planning, organizing and conducting preventive health service programs to immunize individuals against vaccine preventable diseases including assessment costs, surveillance and outbreak control, public education and information, school compliance, and vaccine storage and supply management.	N	\$18.0			\$18.0		
26	93.940	HHS-CDC	HIV Prevention Programs (multiple grants) - for establishing and maintaining primary and secondary Human Immunodeficiency Virus (HIV) prevention programs.	N	\$17.4			\$17.4		
27	93.283	HHS-CDC	Centers for Disease Control and Prevention-Investigations and Technical Assistance Grants (multiple grants) - for controlling communicable diseases, chronic diseases and disorders, and other preventable health conditions such as obesity, heart disease and stroke, diabetes, tobacco control, tuberculosis, cancer, and foodborne illnesses; investigations and evaluation of all methods for controlling or preventing disease and disability thru surveillance, technical assistance, consultation, and program support.	Y	\$12.1			\$12.1		
28	93.053	HHS-Admin for Comm Living	Nutrition Services Incentive Program - for purchase of foods or to access commodities from USDA for preparation and efficient delivery of nutritious meals to older adults.	Y	\$11.2		\$11.2			

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29	93.217	HHS-Ofc of Pop Affairs	Title X-Family Planning Services - for educational, counseling, comprehensive medical (including contraceptive services, infertility services), referrals, and social services; reduce maternal and infant mortality; promote maternal and child health; and increase services to males. Funds may not be used in programs where abortion is a method of family planning.	Y	\$10.1			\$10.1		
30	93.674	HHS-ACF	Chafee Foster Care Independence Program - to assist States and eligible Indian Tribes in establishing and carrying out programs designed to assist foster youth likely to remain in foster care until 18 years of age, youth who leave foster care for adoption or kinship guardianship after attaining age 16, and youth who have left foster care because they attained 18 years of age and have not yet attained 21 years of age, to make the transition from foster care to self-sufficiency.	Y	\$8.0				\$8.0	
Top 30 Totals:					\$19,668.6	13,846.2	\$3,653.7	\$1,080.6	\$694.2	\$393.8
All Other Federal Funds					\$180.4	37.2	\$18.8	\$70.2	\$18.0	\$36.0
*TOTAL All Federal Funds Est FY2013:					\$19,849.0	13,883.5	\$3,672.6	\$1,150.9	\$712.2	\$429.8
Top 30 % of All Federal Funds:					99.09%	99.73%	99.49%	93.90%	97.47%	91.62%

* Note: "TOTAL All Federal Funds Est FY2013" excludes Federal Funds Employee Benefits

Source: HHS System FY 2014 Operating Budgets