



Presentation to the House Appropriations Committee Article II Subcommittee February 2011

Health and Human Services Commission

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Summary of H.B. 1 Issues

- Caseload Growth in TANF Cash Assistance, Medicaid, and CHIP.
- Managed care savings and costs need to be reconciled to H.B. 1 assumptions for costs and caseloads.
- H.B. 1 riders on Hospital reimbursement need to be reconciled to H.B. 1 assumptions for rate reductions
- Eligibility Determination Support Services contracts associated with caseload growth, e.g., Enrollment Broker.
- Administrative and Information Technology (IT) reductions that support Eligibility Determination.

Implementing H.B. 1

Medicaid and CHIP Client Services

- Implement Savings Initiatives assumed in H.B. 1 - \$3.56 billion All Funds
 - Includes a 10 percent provider rate reduction, reduces \$450 million GR for savings achieved through Rider 61 (e.g. payment reform), \$45 million GR savings for reducing or eliminating certain optional Medicaid acute services, expands managed care for net HHS savings, and obtains federal match for children of state employees in CHIP.
- Affordable Care Act provides no flexibility to reduce caseloads through changing eligibility criteria.
- If savings cannot be met, target additional reductions
 - Impose Substantial Rate Reductions, e.g., reimburse hospitals at the minimum SDA per DRG
 - Maximize Client Cost Sharing (current federal law limits ability to impose cost sharing)
 - Reduce or Eliminate Other Medicaid Optional Services
- Seek Funding Flexibility from CMS
- Take every effort to avoid across-the board provider reductions and try to protect access to care.

Administrative Reductions

- Co-locate and consolidate local offices to achieve lease savings

H.B. 1 Funding Reallocations

CHIP Client Services

- Consolidate CHIP strategies C.1.1 through C.1.3 to one strategy to reflect all programs receiving federal CHIP match. There would no longer be any 100 percent GR-funded CHIP clients in FY 2012-13.

Adjust Costs Associated with Managed Care Expansion

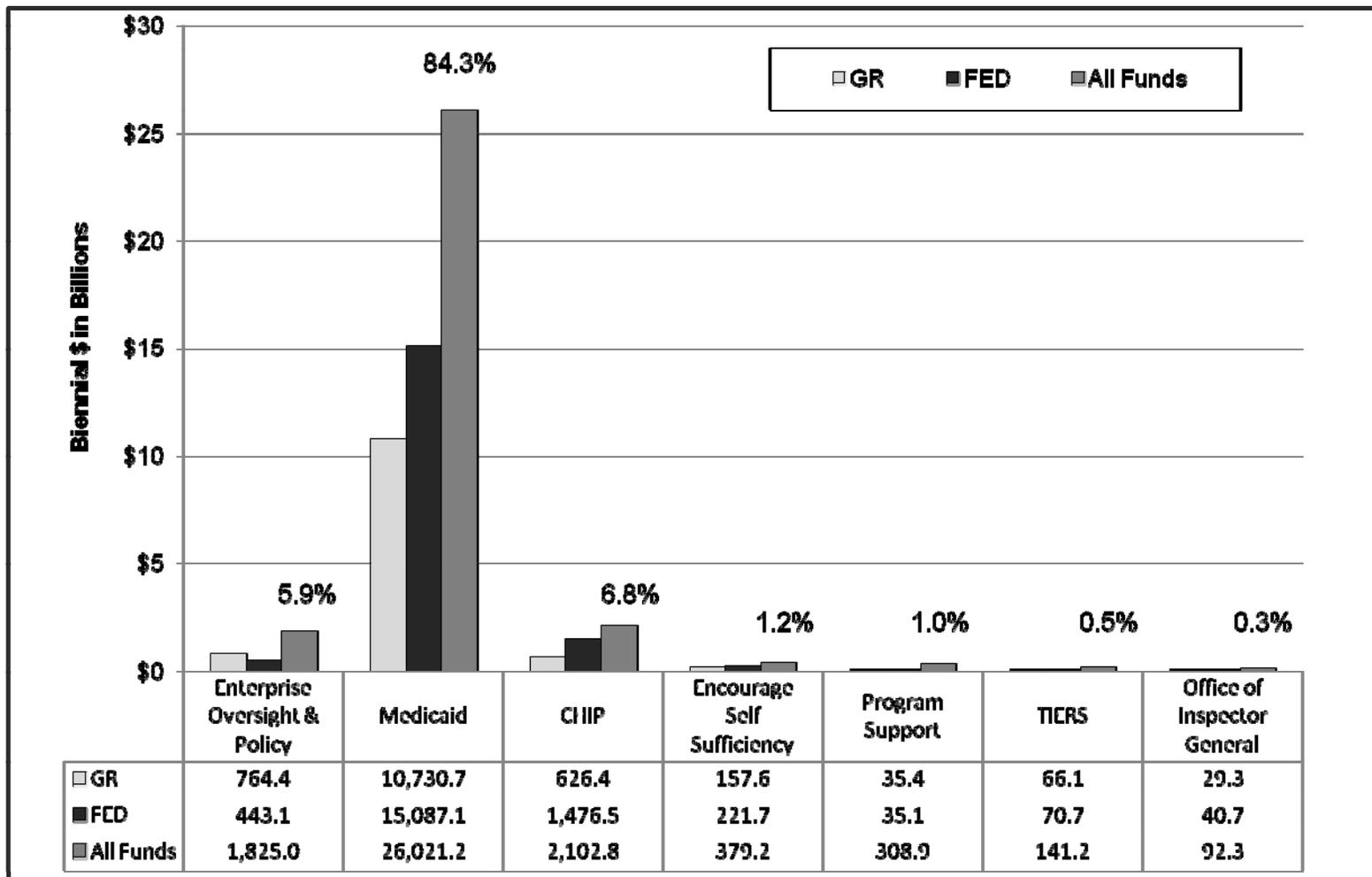
- Align Enrollment Broker costs associated with Managed Care expansion in Strategy B.4.2 to Strategy A.1.2, Integrated Eligibility and Enrollment where the expense would be incurred.



Comparison of Current Biennium with H.B. 1

| Description | FY2010-11 Exp/Bud | FY2012-13 Introduced |
|--|--------------------------|--------------------------|
| Goal 1 - HHS Enterprise Oversight & Policy | \$ 1,943,044,218 | \$ 1,824,955,815 |
| Goal 2 - Medicaid | \$ 35,367,054,606 | \$ 26,021,232,329 |
| Goal 3 - CHIP | \$ 2,227,637,482 | \$ 2,102,807,969 |
| Goal 4 - Encourage Self Sufficiency | \$ 658,958,566 | \$ 379,249,150 |
| Goal 5 - Program Support | \$ 303,835,557 | \$ 308,876,932 |
| Goal 6 - Information Technology | \$ 183,102,676 | \$ 141,235,334 |
| Goal 7 - Office of Inspector General | \$ 98,985,329 | \$ 92,300,251 |
| TOTAL AGENCY | \$ 40,782,618,434 | \$ 30,870,657,780 |
| General Revenue | \$ 13,039,957,279 | \$ 12,408,735,610 |
| General Revenue-Dedicated | \$ - | \$ 1,087,828 |
| Other Funds | \$ 699,191,584 | \$ 639,482,686 |
| Federal Funds | \$ 23,904,497,437 | \$ 17,821,351,656 |
| Federal FMAP Adjustment | \$ 3,138,972,134 | |
| TOTAL, METHOD OF FINANCING | \$ 40,782,618,434 | \$ 30,870,657,780 |
| FTEs | \$ 12,440.9 | \$ 12,256.7 |

H.B. 1 – FY 2012-2013 (by Goal, \$ in billions)



Clients Served in Selected Programs

| Program | FY 2011 | H.B. 1 FY 2012 | H.B. 1 FY 2013 |
|--|-----------|----------------|----------------|
| Acute Medicaid – Average Medicaid Acute Care Recipient Months per Month | 3,517,959 | 3,620,829 | 3,709,990 |
| Children's' Health Insurance Program (CHIP) – Average CHIP Programs Recipient Months per Month | 573,769 | 601,205 | 613,263 |
| Temporary Assistance for Needy Families (TANF) Cash Assistance – Average Number of TANF Recipients per Month | 122,386 | 126,210 | 128,985 |
| Family Violence Shelter Services – Number of Persons Served by Family Violence Programs/Shelters | 80,942 | 80,940 | 80,940 |
| Supplemental Nutrition Assistance Program (SNAP) – Average Number of SNAP Recipients per Month | 4,220,700 | 4,446,580 | 4,570,749 |



Priorities for Consideration

These priorities are developed assuming a starting point of the implementation of H.B. 1 savings that generate savings of \$3.6 billion All Funds, which include a 10 percent provider rate reduction, managed care expansion and Rider 61 savings.

| Agency Priorities | FY 2012 | | FY 2013 | | BIENNIAL TOTAL | | FY 2012 | FY 2013 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------|--------------|
| | GR | All Funds | GR | All Funds | GR | All Funds | FTEs | FTEs |
| 1a Maintain Access to Primary Care Physicians & Specialists for Medicaid Children | \$ 51.5 | \$ 123.9 | \$ 54.7 | \$ 128.3 | \$ 106.2 | \$ 252.3 | - | - |
| 1b Maintain Access to Primary Care Physicians & Specialists for CHIP Children | 8.9 | 30.7 | 9.4 | 31.6 | 18.4 | 62.3 | - | - |
| 2a Maintain Medicaid Client Services with HB 1 Savings | 2,496.9 | 6,037.4 | 1,540.5 | 3,589.3 | 4,037.4 | 9,626.7 | - | - |
| 2b Maintain CHIP Client Services with HB 1 Savings Initiatives | 13.4 | 46.1 | 30.0 | 100.7 | 43.4 | 146.7 | - | - |
| 3 Support FY 2012-13 Medicaid Cost Trends | 371.9 | 893.9 | 797.6 | 1,877.4 | 1,169.5 | 2,771.3 | - | - |
| 4 Provide Eligibility Support Services Costs Associated with Caseload Growth | 21.6 | 26.6 | 25.4 | 34.5 | 47.1 | 61.1 | 3.0 | 3.0 |
| 5 Add Eligibility Determination Units to Keep Pace with Caseload Growth | 2.9 | 5.6 | 2.4 | 4.7 | 5.3 | 10.3 | 90.0 | 90.0 |
| 6 Support Veteran's Health Initiative | 7.5 | 7.5 | 7.5 | 7.5 | 14.9 | 14.9 | 3.1 | 3.1 |
| 7 Maintain Physician's Loan Repayment Program | 20.1 | 20.4 | 21.2 | 21.5 | 41.2 | 41.9 | - | - |
| 8 Maintain Health Home Initiative | 6.26 | 6.24 | 2.51 | 2.49 | 8.8 | 8.7 | 3.1 | 3.1 |
| 9 Maintain Ombudsman Services | 0.2 | 0.3 | 0.2 | 0.3 | 0.3 | 0.6 | 11.0 | 11.0 |
| 10 Increase Attendant Hourly Wage 50 Cents Annually | 55.5 | 130.2 | 117.2 | 275.5 | 172.7 | 405.7 | - | - |
| 11 Information Technology - HHS Security Improvements | 2.5 | 3.3 | 3.2 | 4.5 | 5.8 | 7.9 | - | - |
| 12 Implement MEPD Asset Verification System | 1.5 | 3.0 | 0.8 | 1.6 | 2.3 | 4.6 | - | - |
| 13 Upgrade Pharmacy/Medication Administration Applications for State Hospitals & State-Supported Living Centers | 3.5 | 4.9 | 0.8 | 1.2 | 4.3 | 6.1 | - | - |
| 14 Implement Acquired Brain Injury Waiver | 0.2 | 0.4 | 1.0 | 2.2 | 1.2 | 2.6 | 4.1 | 8.1 |
| Total, Agency Priorities | \$ 3,064.4 | \$ 7,340.5 | \$ 2,614.4 | \$ 6,083.3 | \$ 5,678.8 | \$ 13,423.8 | 114.3 | 118.4 |



Appendix

Priorities for Consideration



Item # 1a

Maintain Access to Primary Care Physicians & Specialists for Medicaid Children

This priority would restore 8 percent of the H.B. 1 10 percent Medicaid rate reduction to primary care physicians treating Medicaid children. All other savings identified in H.B. 1 as rate reductions are assumed to be implemented.

This funding would help children maintain access to their physicians through all Medicaid delivery models. Primary care physicians and specialists treating Medicaid children would retain a 2 percent rate reduction for the 2012-13 biennium that was imposed during FY 2011.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|---------------------------------|----------------------------|----------------------------|---------------|
| GR Related | \$ 51.5 | \$ 54.7 | \$ 106.2 |
| All Funds | \$ 123.9 | \$ 128.3 | \$ 252.3 |

| | | |
|-------------|---|---|
| FTEs | - | - |
|-------------|---|---|



Item # 1b

Maintain Access to Primary Care Physicians & Specialists for CHIP Children

This priority would restore 8 percent of the H.B. 1 10 percent CHIP rate reduction to primary care physicians treating CHIP children. All other savings identified in H.B. 1 as rate reductions are assumed to be implemented.

This funding would help children maintain access to their physicians. Primary care physicians treating CHIP children would retain a 2 percent rate reduction for the 2012-13 biennium that was imposed during FY 2011.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|-------------------------|--------------------|--------------------|---------|
| GR Related | \$ 8.9 | \$ 9.4 | \$ 18.4 |
| All Funds | \$ 30.7 | \$ 31.6 | \$ 62.3 |

| | | |
|-------------|---|---|
| FTEs | - | - |
|-------------|---|---|



Item # 2a

Maintain Medicaid Client Services with H.B. 1 Savings Initiatives

This funding priority represents the cost associated with caseload, case mix, and utilization increases forecasted at FY 11 flat costs for fiscal years 2012-13 in the Acute Medicaid.

The item has been adjusted to assume implementation of all H.B. 1 savings initiatives except for the funding associated with Item 1a.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|---------------------------------|----------------------------|----------------------------|---------------|
| GR Related | \$ 2,496.9 | \$ 1,540.5 | \$ 4,037.4 |
| All Funds | \$ 6,037.4 | \$ 3,589.3 | \$ 9,626.7 |

| | | |
|-------------|---|---|
| FTEs | - | - |
|-------------|---|---|



Item # 2b

Maintain CHIP Client Services with H.B. 1 Savings Initiatives

This funding priority represents the cost associated with caseload, case mix, and cost & utilization increases for fiscal years 2012-13 in the Children's Health Insurance Program (CHIP).

The item has been adjusted to assume implementation of all H.B. 1 savings initiatives except for the funding associated with Item 1b.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|-------------------------|--------------------|--------------------|----------|
| GR Related | \$ 13.4 | \$ 30.0 | \$ 43.4 |
| All Funds | \$ 46.1 | \$ 100.7 | \$ 146.7 |

| | | |
|------|---|---|
| FTEs | - | - |
|------|---|---|



Item # 3

Support FY 2012-13 Medicaid Cost Trends with H.B. 1 Savings Initiatives

This funding priority would provide projected FY12-13 Medicaid cost growth which is not included in Item 2a.

The item has been adjusted to assume implementation of all H.B. 1 savings initiatives except for the funding associated with Item 1a.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|---------------------------------|----------------------------|----------------------------|---------------|
| GR Related | \$ 371.9 | \$ 797.6 | \$ 1,169.5 |
| All Funds | \$ 893.9 | \$ 1,877.4 | \$ 2,771.3 |

| | | |
|-------------|---|---|
| FTEs | - | - |
|-------------|---|---|



Item # 4

Provide Eligibility Support Services Costs Associated with Caseload Growth

This item would provide funding for Eligibility Support Services contracts having costs associated with caseload growth that is not assumed in H.B 1, such as document imaging, enrollment broker fees and EBT transaction fees (\$40.0 million GR and \$46.8 million AF.). H.B. 1 assumes providing SNAP benefits totaling over \$5.5 billion.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|-------------------------|--------------------|--------------------|---------|
| GR Related | \$ 21.6 | \$ 25.4 | \$ 47.1 |
| All Funds | \$ 26.6 | \$ 34.5 | \$ 61.1 |

| | | |
|-------------|-----|-----|
| FTEs | 3.0 | 3.0 |
|-------------|-----|-----|

This item would provide funding to support an approved waiver to enable HHSC to expand the current application assistance services provided through the Texas Food Bank Network (\$2.2 million GR and \$4.5 million AF.)

| Program Impact | FY 2012 | FY 2013 |
|--|---------|---------|
| Average Monthly Number of Eligibility Determinations | 1,406 | 1,406 |
| Average Number of Recipients Per Month: Food Stamps | 563 | 563 |
| Average Cost Per Eligibility Determination | 47.77 | 46.27 |

Item # 5

Add Eligibility Determination Units to Keep Pace with Caseload Growth

This funding would provide 90.0 FTEs to create 5 new eligibility determination units for Texas Works and MEPD. The units would be allocated to the Rio Grande Valley, Houston, and Dallas/Fort Worth regions as these are largest regions and manage the largest caseloads in the state. The additional staff would:

- *Support the increase in application rates and caseload growth experienced statewide.;*
- *Support the increase in applications received via the Self Service Portal;*
- *Maintain and further improve HHSC's compliance with federal application processing timeliness standards; and*
- *Improve Quality Control error rates.*

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|---------------------------------|----------------------------|----------------------------|---------------|
| GR Related | \$ 2.9 | \$ 2.4 | \$ 5.3 |
| All Funds | \$ 5.6 | \$ 4.7 | \$ 10.3 |

| | | |
|-------------|------|------|
| FTEs | 90.0 | 90.0 |
|-------------|------|------|

| Program Impact | FY 2012 | FY 2013 |
|--|----------------|----------------|
| Average Monthly Number of Eligibility Determinations | 7,700 | 7,700 |
| Average Cost Per Eligibility Determination | 46.46 | 44.47 |



Agency Request # 6

Support Veteran's Health Initiative

This exceptional item request will allow HHS to enhance veterans' services by:

- *increasing coordination of services and supports for veterans and their families; and*
- *implementing additional evidence-based practices to address injuries suffered by returning veterans.*

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|---------------------------------|----------------------------|----------------------------|---------------|
| GR Related | \$ 7.5 | \$ 7.5 | \$ 14.9 |
| All Funds | \$ 7.5 | \$ 7.5 | \$ 14.9 |

| | | |
|-------------|-----|-----|
| FTEs | 3.1 | 3.1 |
|-------------|-----|-----|

Specifically, the funding will allow:

- *DSHS to build upon current veterans mental health initiatives by providing training for peer-to-peer mental health services; developing a pilot to place trained behavioral health specialists with primary care providers to ensure veterans receive appropriate mental health interventions; and developing veterans' resource networks.*
- *DADS to expand the current Aging and Disability Resource Center infrastructure that serves veterans by providing assessment, care planning and community-based services for veterans transitioning from the hospital to home.*
- *HHSC 2-1-1 to expand the Texas Military Family Access Project, which connects service members and their families to vital community services through dedicated call center specialists and outreach staff; and expand the Community Resource Coordination Group (CRCG) infrastructure to offer information and services to service members, veterans and their families when essential needs are not otherwise met through the existing service system.*
- *HHSC Office of Acquired Brain Injury to create a two-year pilot in partnership with Camp Mabry to link those service members with brain injuries to the appropriate federal and state services.*

Maintain Physician's Loan Repayment Program

This item represents the biennial costs associated with continuing payment of loans over a four-year period for Medicaid providers selected to participate in the Children's Medicaid Loan Repayment Program (CMLRP).

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|-------------------------|--------------------|--------------------|---------|
| GR Related | \$ 20.1 | \$ 21.2 | \$ 41.2 |
| All Funds | \$ 20.4 | \$ 21.5 | \$ 41.9 |

The initial award to 300 participants occurred in FY 2010 and an award to another 299 participants in FY 2011. Those Medicaid providers selected for CMLRP are required to participate in Medicaid for 4 years and provide a minimum level of service for Medicaid clients under age of 21 in order to receive up to \$140,000 in loan repayment funds paid out over 4 years.

| | | |
|-------------|---|---|
| FTEs | - | - |
|-------------|---|---|

| Program Impact | FY 2012 | FY 2013 |
|--|---------|---------|
| Number of Medicaid Providers Receiving Loans | 568 | 568 |
| | | |
| | | |

The requested funding is adjusted for reduction in enrollment due to voluntary withdrawal or termination for non-achievement of target goals.

Maintain Health Home Initiative

Funding will maintain initiative focusing on comprehensive health home models for children enrolled in Medicaid under the age of 21. HHSC would fund up to 8 projects throughout the state, preferably those serving a minimum of 5,000 children enrolled in Medicaid. HHSC intends to award contracts for two years of funding in 2011.

HHSC expects these projects to increase access to care for children enrolled in Medicaid and increase the number of children receiving recommended primary medical and dental prevention services and any needed specialty and social support services, including behavioral health services. In addition, HHSC expects to learn what type of models can be delivered in a cost-effective manner, are sustainable over time and are conducive to replication across the state.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|-------------------------|--------------------|--------------------|--------|
| GR Related | \$ 6.3 | \$ 2.5 | \$ 8.8 |
| All Funds | \$ 6.2 | \$ 2.5 | \$ 8.7 |

| | | |
|-------------|-----|-----|
| FTEs | 3.1 | 3.1 |
|-------------|-----|-----|

Item # 9

Maintain Ombudsman Services

This priority represents funding for 11 positions currently filled in the Office of the Ombudsman. This office supports our eligibility determination function by providing customer service to HHS clients. Staff handle a monthly average of 16,200 inquiries and complaints and resolves complex HHS client's issues and complaints. Staffing reductions could result in increased call abandonment.

Ombudsman workload increases as new programs or program changes are implemented in Medicaid, CHIP, TANF, and SNAP.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|-------------------------|--------------------|--------------------|--------|
| GR Related | \$ 0.2 | \$ 0.2 | \$ 0.3 |
| All Funds | \$ 0.3 | \$ 0.3 | \$ 0.6 |

| | | |
|-------------|------|------|
| FTEs | 11.0 | 11.0 |
|-------------|------|------|



Item # 10

Increase Attendant Hourly Wage 50 Cents Annually

Funding would provide a \$0.50 cent per hour increase in FY 2012 and an additional \$0.50 cent per hour increase in FY 2013 to attendants assisting Medicaid clients in community settings at DADS and HHSC.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|-------------------------|--------------------|--------------------|----------|
| GR Related | \$ 55.5 | \$ 117.2 | \$ 172.7 |
| All Funds | \$ 130.2 | \$ 275.5 | \$ 405.7 |

Increasing these wages would address high turnover and improve retention and recruitment of these direct care workers.

| | | |
|-------------|---|---|
| FTEs | - | - |
|-------------|---|---|

The biennial cost to DADS community programs is \$273.6 million All Funds and \$116.9 million GR.

The biennial cost to HHSC community programs is \$132.1 million All Funds and \$55.8 million GR.

Item # 11

Information Technology – HHS Security Improvements

This request will provide security improvements to protect confidential information (Security Roadmap) will enable compliance with state and federal laws and policies for protecting this data. It will provide further capability for the HHS information security to provide technical solutions to protect the privacy, confidentiality, security, integrity, and relevance of this information.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|---------------------------------|----------------------------|----------------------------|---------------|
| GR Related | \$ 2.5 | \$ 3.2 | \$ 5.8 |
| All Funds | \$ 3.3 | \$ 4.5 | \$ 7.9 |

| | | |
|-------------|---|---|
| FTEs | - | - |
|-------------|---|---|

All five HHS agencies would receive funding for IT security improvements.

- *DADS - \$1.4 million GR and \$2.7 million AF*
- *DARS - \$0.4 million GR and \$0.4 million AF*
- *DFPS - \$1.0 million GR and \$1.1 million AF*
- *DSHS - \$2.4 million GR and \$2.4 million AF*
- *HHSC - \$0.6 million GR and \$1.3 million AF*

Implement MEPD Asset Verification System

The federal government requires the implementation of an electronic system to obtain information from financial institutions for verification of the assets of Medicaid Eligibility for the Elderly People with Disabilities (MEPD) applicants and redeterminations.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|---------------------------------|----------------------------|----------------------------|---------------|
| GR Related | \$ 1.5 | \$ 0.8 | \$ 2.3 |
| All Funds | \$ 3.0 | \$ 1.6 | \$ 4.6 |

The system must be electronic, matches are run for applications and redeterminations. Verification requests must include financial institutions other than those reported by clients and verification requests may need to be for open and closed accounts for a five year look-back. The state must also generate reports required by CMS.

| | | |
|-------------|---|---|
| FTEs | - | - |
|-------------|---|---|

Funding would support a contract to provide services for verification of this information, a 50 percent federal match is assumed..



Item # 13

Upgrade Pharmacy & Medication Administration Applications for State Hospitals & State-Supported Living Centers

Information systems are in place at the DSHS State Hospitals and DADS State Supported Living Centers that house and support the Electronic Medical Records, Pharmacy and Medication Administration used by medical staff to care for patients and clients at 23 geographically dispersed facilities 24 hours per day, 7 days per week.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|-------------------------|--------------------|--------------------|--------|
| GR Related | \$ 3.5 | \$ 0.8 | \$ 4.3 |
| All Funds | \$ 4.9 | \$ 1.2 | \$ 6.1 |

| | | |
|-------------|---|---|
| FTEs | - | - |
|-------------|---|---|

Currently, when a system failure occurs, medical staff must revert to a manual process when updating client records and administering medications. It is critical to patient and client health and safety that the information technology systems operate in a steady and reliable production environment. This funding request will allow the implementation of additional infrastructure for failover to a backup system in the event of a failure of the existing production environment.



Agency Request # 14

Implement Acquired Brain Injury Waiver

Funding would support the development and implementation of a new Medicaid waiver for individuals with an acquired brain injury. The long term costs would be at DADS and the acute costs at HHSC. There would also be administrative costs at both agencies. During FY 2012, the waiver would be developed and submitted for federal approval. Waiver implementation is assumed in FY 2013 with 100 slots for clients. Fifty new slots would be added over the next two years, eventually expanding up to 200 slots by 2015.

An Acquired Brain Injury Medicaid Waiver in Texas would provide the necessary array of services that allow people to remain in their homes and receive the support to regain independence. Federal approval of the waiver would be required.

| MOF (\$ in millions) | Request FY 2012 | Request FY 2013 | Totals |
|-------------------------|--------------------|--------------------|--------|
| GR Related | \$ 0.2 | \$ 1.0 | \$ 1.2 |
| All Funds | \$ 0.4 | \$ 2.2 | \$ 2.6 |

| | | |
|-------------|-----|-----|
| FTEs | 4.1 | 8.1 |
|-------------|-----|-----|

| Program Impact | FY 2012 | FY 2013 |
|-------------------------------|---------|---------|
| Number of Waiver Participants | - | 100 |
| | | |