

**4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/18/2006  
 TIME: 11:50:28PM

Agency code: 529

Agency name:

**Health and Human Services Commission**

**CODE DESCRIPTION**

		Excp 2008	Excp 2009
<b>Item Name:</b> Maintain Medicaid Cost Trends and Current Services for FY 2008-09			
<b>Item Priority:</b> 3			
<b>Includes Funding for the Following Strategy or Strategies:</b>			
01-01-02	Integrated Eligibility and Enrollment (IEE)		
02-01-01	Medicare and SSI Risk Groups		
02-01-02	TANF Adults & Children Risk Groups		
02-01-03	Pregnant Women Risk Group		
02-01-04	Children & Medically Needy Risk Groups		
02-01-05	For Clients Dually Eligible for Medicare and Medicaid.		
02-01-06	STAR+PLUS (Integrated Managed Care)		
02-02-01	Cost Reimbursed Services		
02-02-02	Medicaid Vendor Drug Program		
02-02-04	Medical Transportation		
02-03-01	Health Steps (EPSDT) Medical		
02-03-02	Health Steps (EPSDT) Dental		
02-03-03	Health Steps (EPSDT) Comprehensive Care Program		
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES		
1002	OTHER PERSONNEL COSTS		
2001	PROFESSIONAL FEES AND SERVICES	415,407	415,407
2003	CONSUMABLE SUPPLIES	6,000	6,000
2004	UTILITIES	18,333,951	6,266,689
2005	TRAVEL	1,400	1,400
2006	RENT - BUILDING	1,240	1,240
2009	OTHER OPERATING EXPENSE	12,500	12,500
3001	CLIENT SERVICES	200	200
		1,250	1,250
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>903,922,386</b>	<b>1,870,667,043</b>
		<b>\$922,694,334</b>	<b>\$1,877,371,729</b>

**METHOD OF FINANCING:**

555	FEDERAL FUNDS		
93.778.000	Medical Assistance Program		
706	VENDOR DRUG REBATES-MEDICAID	560,696,292	1,147,829,753
758	GR MATCH FOR MEDICAID	23,122,646	51,896,904
8081	Vendor Drug Rebates-Sup Rebates	334,506,167	667,942,938
		4,369,229	9,702,134

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**TOTAL, METHOD OF FINANCING**

**Excp 2008**

**Excp 2009**

**\$922,694,334**

**\$1,877,371,729**

**DESCRIPTION / JUSTIFICATION:**

This request represents the incremental costs associated with increasing Medicaid Costs to projected 2008-09 estimates over the FY 2007 levels. The overall FY 2008-09 Medicaid cost growth trend over fiscal year 2007 is 6.5 percent.

Acute care medical costs, which include all inpatient and outpatient hospital costs, and all HMO premium payments for the Medicaid Risk Groups and STAR+PLUS, account for approximately 44 percent of this exceptional item costs. Acute care medical costs grow at a rate of 4 percent each year of the biennium. Disabled and Blind cost growth is lower than in fiscal year 2007, which is likely due to STAR+Plus.

Vendor drug costs account for 26 percent of the cost growth from fiscal year 2007 to the 2008-09 biennium. Vendor drug costs show a 12 percent growth trend for each year of the biennium.

Approximately 12 percent of the cost growth from fiscal year 2007 to the 2008-09 biennium is in the Texas Health Steps Programs, including dental, medical, and CCP services. Typically, these services account for about 7 percent of costs.

Costs for emergency services provided to Legal Permanent Residents and Illegal Aliens represent approximately 4 percent of FY08-09 cost growth while premiums and hospital co-payments for Medicare clients (non-full duals) account for about 14 percent of the exceptional item.

**EXTERNAL/INTERNAL FACTORS:**

Some cost elements of Medicaid are not controlled by the State, specifically Medicare related payments are set by the federal government. Additionally, some medical cost increases can be attributable to changes in medical technology and the adoption of newer procedures.

Congress authorized an adjustment to the calculation of Texas' Medicaid matching rate for the impact of Hurricane Katrina evacuees to the State's per capita income. This adjustment, which is unknown at this time, will impact Texas' FMAP for a three-year period beginning in FY 2008. The FMAPs for both FY 2008-09 are estimates as the FMAP for FY 2008 will be determined in Fall 2006 and the FMAP for FY 2009 will be determined in Fall 2007.