

3.A. STRATEGY REQUEST
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/18/2006
 TIME: 6:59:51PM

Agency code: **529** Agency name: **Health and Human Services Commission**

GOAL: 2 Medicaid
 OBJECTIVE: 2 Other Medicaid Services
 STRATEGY: 2 Medicaid Vendor Drug Program

Statewide Goal/Benchmark: 3 1
 Service Categories:
 Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
Output Measures:						
1	Total Medicaid Prescriptions Incurred	37,881,190.00	30,393,987.00	26,689,710.00	26,402,108.00	26,858,336.00
Efficiency Measures:						
1	Average Number of Prescriptions Incurred Per Recipient Month	1.14	1.00	0.91	0.85	0.83
2	Average Cost Per Medicaid Prescription	63.71	64.65	68.54	64.59	66.36
Objects of Expense:						
1001	SALARIES AND WAGES	\$1,806,505	\$2,350,041	\$2,136,449	\$1,755,243	\$1,622,132
1002	OTHER PERSONNEL COSTS	\$68,485	\$70,313	\$55,279	\$57,756	\$53,858
2001	PROFESSIONAL FEES AND SERVICES	\$10,487,218	\$5,349,186	\$44,647,697	\$36,351,905	\$36,070,702
2002	FUELS AND LUBRICANTS	\$13	\$373	\$300	\$290	\$269
2003	CONSUMABLE SUPPLIES	\$2,378	\$17,767	\$11,180	\$11,630	\$10,805
2004	UTILITIES	\$71,596	\$106,708	\$121,080	\$87,956	\$81,819
2005	TRAVEL	\$33,369	\$28,862	\$27,728	\$12,626	\$11,777
2006	RENT - BUILDING	\$15,189	\$173,414	\$220,248	\$169,109	\$157,100
2007	RENT - MACHINE AND OTHER	\$3,516	\$24,680	\$15,601	\$20,055	\$18,755
2009	OTHER OPERATING EXPENSE	\$469,042	\$314,062	\$189,331	\$190,793	\$177,573
3001	CLIENT SERVICES	\$2,406,596,081	\$1,930,799,220	\$1,854,506,142	\$1,705,197,468	\$1,782,252,043
4000	GRANTS	\$196,487	\$3,263,467	\$3,022,733	\$2,546,521	\$2,372,583
5000	CAPITAL EXPENDITURES	\$391,100	\$67,101	\$1,890,406	\$822,686	\$766,228
TOTAL, OBJECT OF EXPENSE		\$2,420,140,979	\$1,942,565,194	\$1,906,844,174	\$1,747,224,038	\$1,823,595,644
Method of Financing:						
706	VENDOR DRUG REBATES-MEDICAID	\$234,460,676	\$205,668,966	\$192,008,823	\$180,871,489	\$190,249,417
758	GR MATCH FOR MEDICAID	\$667,143,679	\$494,684,209	\$504,385,240	\$471,307,622	\$487,417,171

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STRATEGY: 2 Medicaid Vendor Drug Program

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
8056	SUPPLEMENTAL: GR MATCH FOR MEDICAID	\$0	\$21,783,067	\$0	\$0	\$0
8081	Vendor Drug Rebates-Sup Rebates	\$47,025,301	\$55,553,474	\$41,880,312	\$34,177,273	\$35,567,156
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$948,629,656	\$777,689,716	\$738,274,375	\$686,356,384	\$713,233,744
Method of Financing:						
555	FEDERAL FUNDS	\$0	\$3,662,879	\$0	\$0	\$0
93.000.100	Uncompensated Care - Hurricane	\$1,471,511,323	\$1,125,562,313	\$1,168,533,074	\$1,060,826,676	\$1,110,320,918
93.778.000	Medical Assistance Program	\$0	\$1,979,248	\$0	\$0	\$0
93.778.100	XIX Hurricane - No Match	\$1,471,511,323	\$1,131,204,440	\$1,168,533,074	\$1,060,826,676	\$1,110,320,918
CFDA Subtotal, Fund	555					
8059	SUPPLEMENTAL: FEDERAL FUNDS	\$0	\$33,616,391	\$0	\$0	\$0
93.778.000	Medical Assistance Program	\$0	\$33,616,391	\$0	\$0	\$0
CFDA Subtotal, Fund	8059					
SUBTOTAL, MOF (FEDERAL FUNDS)		\$1,471,511,323	\$1,164,820,831	\$1,168,533,074	\$1,060,826,676	\$1,110,320,918
Method of Financing:						
777	INTERAGENCY CONTRACTS	\$0	\$54,647	\$36,725	\$40,978	\$40,982
SUBTOTAL, MOF (OTHER FUNDS)		\$0	\$54,647	\$36,725	\$40,978	\$40,982
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$1,747,224,038	\$1,823,595,644
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$2,420,140,979	\$1,942,565,194	\$1,906,844,174	\$1,747,224,038	\$1,823,595,644
FULL TIME EQUIVALENT POSITIONS:		41.2	47.5	40.2	33.4	30.8
STRATEGY DESCRIPTION AND JUSTIFICATION:						

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Drugs are a service excluded from the fiscal agent arrangement. HHSC purchases & provides prescription medications for use in the home, as prescribed by the treating physician, through contracted pharmacies to indigent Texans who qualify for Medicaid. The provision of prescription drugs to these clients requires HHSC to coordinate with the clients, physicians, pharmacists, drug wholesalers, distributors, manufacturers, the federal government, & other State agencies.

This program is currently collecting rebate revenues from drug manufacturers as negotiated by the federal government as well as a supplemental state rebate program beginning in 01/2004.

Medicaid eligibility typically determines any limitations on the number of prescriptions received. Federal law mandates that Medicaid-eligible children, pregnant women, & nursing facility residents have no drug limitation. In Texas, Medicaid-eligible adults enrolled in managed care including PCCM & the Aged/Blind/Disabled Managed Care expansion. CLASS & CBA waiver adults, also have unlimited prescriptions.

Generally, the only remaining clients who are eligible for drug benefits & still subject to a limit of three prescriptions per month are TANF adults not enrolled in managed care. Decreases in overall cost result from Medicare Part D coverage implemented January 2006.

Projected 06-07 expenditures for maintaining current 2008-09 cost trends are requested as exceptional items. Provider rate restorations are also requested as exceptional items.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

The implementation of Medicare Part D drug coverage in January 2006 has reduced the vendor drug expenditures by the State, since dual eligible clients will receive most of their drugs through Medicare, not Medicaid.

Texas has federal lawsuit to protest the federally mandated payments for its share in the Part D coverage. Texas has complied with these payments under the Medicare Strategy for the 2006-07 biennium.

Since services covered under this strategy are mandated under a State administered Medicaid program, the risk of non-compliance and federal financial participation would be jeopardized for failure to reimburse medical providers at a rate that is reasonable and adequate to ensure provider participation. As well as covering all eligible persons.

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' (Federal Medical Assistance Percentage) 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.