

# **Request For Exceptional Items**

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**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: 11:50:15PM

Agency code: 529

Agency name:

**Health and Human Services Commission**

**CODE DESCRIPTION**

		Excp 2008	Excp 2009
	<b>Item Name:</b> Maintain FY 2007 Medicaid Costs		
	<b>Item Priority:</b> 1		
<b>Includes Funding for the Following Strategy or Strategies:</b>			
	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.		
	02-02-01 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>			
2001	PROFESSIONAL FEES AND SERVICES	24,999,999	25,000,000
3001	CLIENT SERVICES	830,057,482	875,758,229
4000	GRANTS	1,738,000	2,467,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$856,795,481</b>	<b>\$903,225,229</b>
<b>METHOD OF FINANCING:</b>			
555	FEDERAL FUNDS		
93.778.000	Medical Assistance Program		
706	VENDOR DRUG REBATES-MEDICAID	528,843,209	558,179,035
758	GR MATCH FOR MEDICAID	21,519,311	22,623,424
8081	Vendor Drug Rebates-Sup Rebates	302,366,696	318,193,318
		4,066,265	4,229,452
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$856,795,481</b>	<b>\$903,225,229</b>

**DESCRIPTION / JUSTIFICATION:**

This request represents the incremental costs associated with increasing Medicaid Costs from FY 2006 to FY 2007 applied to the 2008-09 biennium as the baseline request holds costs flat at FY 2006 levels. Costs represents Acute Care Medical costs, which includes hospital costs and all HMO premium payments, Vendor Drug costs, Texas Health Steps Medical, Dental, and Comprehensive Care costs, and costs for Medicare clients not fully Medicaid eligible (premiums and hospital co-pays). The overall client services cost

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growth trend for FY 2007 is 6.5 percent.

**Excp 2008**

**Excp 2009**

Acute care medical costs include all inpatient and outpatient hospital costs, and all HMO premium payments for the Medicaid Risk Groups. Approximately 50 percent of the exceptional item is attributable to acute care medical costs, which is projected to increase at a rate of 5 percent between the two years.

Vendor drug accounts for approximately 25 percent of total exceptional item while it typically accounts for 15 percent of total client services costs. Vendor drug costs show a 12 percent growth trend from fiscal year 2006 to fiscal year 2007.

Approximately 11 percent of the cost growth from fiscal year 2006 to fiscal year 2007 is reflected in the Texas Health Steps Programs, including dental, medical, and CCP services. Typically, these services account for about 7 percent of costs. Emergency services provided to Legal Permanent Residents and Illegal Aliens account for about 3 percent of cost growth and expenses related to premiums and hospital co-payments for Medicare clients (non-full duals) account for approximately 11 percent of the exceptional item costs.

**EXTERNAL/INTERNAL FACTORS:**

Some cost elements of Medicaid are not controlled by the State, such as the costs for prescription drugs, medical services, and 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.

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		Excp 2008	Excp 2009
	<b>Item Name:</b> Restore Base Funding		
	<b>Item Priority:</b> 2		
<b>Includes Funding for the Following Strategy or Strategies:</b>	01-01-01 Enterprise Oversight and Policy		
	01-01-02 Integrated Eligibility and Enrollment (IEE)		
	01-02-01 Office of Inspector General		
	01-03-01 Consolidated System Support		
	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		
	02-02-03 Prescription Drug Coverage for Dual-Eligibles.		
	02-02-04 Medical Transportation		
	02-02-05 Medicaid Family Planning		
	02-03-01 Health Steps (EPSDT) Medical		
	02-03-02 Health Steps (EPSDT) Dental		
	02-03-03 Health Steps (EPSDT) Comprehensive Care Program		
	02-04-01 State Medicaid Office		
	03-01-01 Children's Health Insurance Program (CHIP)		
	04-01-01 Temporary Assistance for Needy Families Grants		
	04-01-02 Nutrition Assistance		
	04-01-03 Refugee Assistance		
	04-02-01 Family Violence Services		
	05-01-01 Central Program Support		
	05-01-02 Information Technology Program Support		
	05-01-04 Regional Program Support		
	06-01-02 Health and Human Services Administrative System		

**OBJECTS OF EXPENSE:**

1001 SALARIES AND WAGES

30,776,051

30,776,141

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		<b>Excp 2008</b>	<b>Excp 2009</b>
1002	OTHER PERSONNEL COSTS		
2001	PROFESSIONAL FEES AND SERVICES	754,802	754,802
2002	FUELS AND LUBRICANTS	28,836,286	31,685,370
2003	CONSUMABLE SUPPLIES	13,770	13,770
2004	UTILITIES	73,781	73,781
2005	TRAVEL	444,181	444,131
2006	RENT - BUILDING	1,166,043	1,166,042
2007	RENT - MACHINE AND OTHER	61,468	61,468
2009	OTHER OPERATING EXPENSE	497,583	497,582
3001	CLIENT SERVICES	17,085,910	17,079,972
4000	GRANTS	3,614,697	3,784,578
5000	CAPITAL EXPENDITURES	4,269,168	4,269,168
	<b>TOTAL, OBJECT OF EXPENSE</b>	<b>373,664</b>	<b>373,669</b>
		<b>\$87,967,404</b>	<b>\$90,980,474</b>

**METHOD OF FINANCING:**

1	GENERAL REVENUE FUND		
555	FEDERAL FUNDS	1,851,480	1,851,480
10.558.000	Child and Adult Care Foo		
10.559.000	Summer Food Service Prog	69	69
10.560.000	State Administrative Exp	7,336	7,336
10.561.000	St Admin Match Food Stamp	237,370	237,370
10.568.000	Emergency Food Assistanc	9,381,293	9,380,878
93.110.000	Maternal and Child Health	536	536
93.556.000	Promoting Safe and Stable Families	140,000	140,000
93.558.000	Temp AssistNeedy Families	643	643
93.558.667	TANF to Title XX	3,539,312	3,533,778
93.566.000	Refugee and Entrant Assis	11	11
93.566.001	REFUGEE STATE ADMIN	25,526	25,537
93.667.000	Social Svcs Block Grants	11,341	11,341
93.671.000	Family Violence Preventio	938,347	938,347
93.767.000	CHIP	429	429
93.778.000	Medical Assistance Program	1,544,506	1,545,100
93.778.003	XIX 50%	10,796,139	12,690,135
93.778.004	XIX ADM @ 75%	10,972,524	10,972,755
93.778.007	XIX ADM @ 100	787,723	787,723
666	APPROPRIATED RECEIPTS	66,216	66,216
		95	95

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		Excp 2008	Excp 2009
706	VENDOR DRUG REBATES-MEDICAID		
758	GR MATCH FOR MEDICAID	0	0
759	GR MOE FOR TANF	20,728,620	21,683,759
777	INTERAGENCY CONTRACTS	3,299,233	3,469,276
8010	GR MATCH FOR TITLE XXI	13,758,649	13,758,625
8014	GR MATCH FOOD STAMP ADM	8,457	8,457
8025	TOBACCO RECEIPTS MATCH FOR CHIP	9,354,574	9,354,159
	<b>TOTAL, METHOD OF FINANCING</b>	516,975	516,419
	<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	<b>\$87,967,404</b>	<b>\$90,980,474</b>
	<b>DESCRIPTION / JUSTIFICATION:</b>	549.90	549.90

**DESCRIPTION / JUSTIFICATION:**

This request would restore the ten percent reduced from the base funding request. The request totals \$100.3 million general revenue. Agency program support and administrative functions consolidated across the agency would be affected by this restoration, including the Office of the Inspector General. Program and administrative support within Medicaid, Family Services, and Eligibility Services would also be affected.

Funding reductions would reduce the ability to maintain program accountability and oversight. Workloads would increase which could cause errors and reduce responsiveness. Reductions in funding related to State Schools and Hospitals could reduce support of those facilities in areas such as property maintenance and risk management which ultimately could affect certification of those facilities.

Additionally, reductions would negatively impact the ability to audit for contractor fraud, arrange for efficient space utilization, process personnel actions, purchase and deliver supplies (including food for state schools and hospitals, office supplies, lab and medical supplies, etc.), pay vendors and review and process contracts in a timely manner, provide timely reporting, respond to inquiries, and assume telephone and computer connectivity for state workers and clients.

This exceptional request represents a significant portion of the 10 percent reduction restoration. There is one other exceptional request which also requests the 10 percent restoration - \$41.6 million in the Perinate Exceptional Item .

**EXTERNAL/INTERNAL FACTORS:**

Some reductions comprising the 10 percent would be difficult to achieve within a year period such as rent and utility savings.

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**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		

**OBJECTS OF EXPENSE:**

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.

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**CODE DESCRIPTION**

	<b>Excp 2008</b>	<b>Excp 2009</b>
<b>Item Name:</b> Maintain CHIP Cost Trends and Current Services for FY 2009		
<b>Item Priority:</b> 4		
<b>Includes Funding for the Following Strategy or Strategies:</b>		
03-01-01 Children's Health Insurance Program (CHIP)		
03-01-02 Immigrant Children Health Insurance		
03-01-03 School Employee Children Insurance		
03-01-05 CHIP Vendor Drug Program		

**OBJECTS OF EXPENSE:**

3001 CLIENT SERVICES

**TOTAL, OBJECT OF EXPENSE**

0	44,887,509
<b>\$0</b>	<b>\$44,887,509</b>

**METHOD OF FINANCING:**

555 FEDERAL FUNDS

93,767,000 CHIP

5040 TOBACCO SETTLMNT RECEIPTS

8025 TOBACCO RECEIPTS MATCH FOR CHIP

**TOTAL, METHOD OF FINANCING**

0	30,219,965
0	3,267,945
0	11,399,599
<b>\$0</b>	<b>\$44,887,509</b>

**DESCRIPTION / JUSTIFICATION:**

This request would maintain current services funding for CHIP. This request includes the anticipated cost increases above 2008 levels. CHIP program Costs through FY 2008 along with increased CHIP caseload is reflected in the 2008-09 baseline request.

Client services in the CHIP program are paid through a capitated rate. Client services include acute care medical services and dental benefits, which were added back into the CHIP program in fiscal year 2006. The growth in claims cost for fiscal year 2006 was higher than in the past several years, 10.6 percent, and a 10 percent cost trend was used in setting the rates for fiscal year 2007.

Funding assumes the projected EFMAP of 72.62 percent for FY 2009.

**EXTERNAL/INTERNAL FACTORS:**

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**CODE DESCRIPTION**

	<b>Excp 2008</b>	<b>Excp 2009</b>
<b>Item Name:</b> Reduce HHS Waiting/Interest Lists for Demographic Growth		
<b>Item Priority:</b> 5		
<b>Includes Funding for the Following Strategy or Strategies:</b> 02-04-01 State Medicaid Office		
 <b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES		
2005 TRAVEL	740,161	1,501,284
2009 OTHER OPERATING EXPENSE	44,101	87,535
3001 CLIENT SERVICES	244,441	435,165
4000 GRANTS	24,879,465	64,973,973
	112,225	112,225
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$26,020,393</b>	<b>\$67,110,182</b>
 <b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND		
555 FEDERAL FUNDS	10,616,130	21,390,653
93.778.003 XIX 50%		
93.778.007 XIX ADM @ 100	428,119	839,527
758 GR MATCH FOR MEDICAID	8,829,196	26,574,023
	6,146,948	18,305,979
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$26,020,393</b>	<b>\$67,110,182</b>
 <b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		
	23.00	45.00

**DESCRIPTION / JUSTIFICATION:**

This exceptional item requests funding to continue the effort to reduce/eliminate programs with waiting or interest lists at the Department of Aging and Disability Services (DADS), the Department of Assistive and Rehabilitative Services (DARS) and the Department of State Health Services (DSHS). This request would provide funding to keep pace with population growth in the following programs:

DADS - Home and community waivers, non-Medicaid services, and the In-Home & Family Support program. The home and community care waivers include Community Based Alternatives (CBA), Community Living Assistance & Support Services (CLASS), Medically Dependent Children's Program (MDCP), Consolidated Waiver Program (CWP), Deaf-Blind with Multiple Disabilities (DBMD), Home and Community Based Services (HCS) and Texas Home Living (TxHmL).

DARS: Comprehensive Rehabilitation Services and Independent Living Services.

DSHS: Adult Community Mental Health, Child and Adolescent Community Mental Health, and Children with Special Health Care Needs (CSHCN).

Staffing costs are associated with additional LTC eligibility FTEs at DADS.

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**EXTERNAL/INTERNAL FACTORS:**

**Excp 2008**

**Excp 2009**

There are significant interest/waiting lists for many health and human services. In addition, the number of elderly people and persons with disabilities continues to grow, which further increases the demand for services.

**DADS:**

Where applicable, the associated costs of Medicaid acute care and prescription drugs are included in the request, as well as administrative costs for determining eligibility, completing assessments and reassessments, developing service plans, and monitoring service delivery. Cost assumptions do not include increases to current rates.

This request was prepared by DADS, DARS, and DSHS.

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**CODE DESCRIPTION**

		Excp 2008	Excp 2009
	<b>Item Name:</b> Restore CHIP Perinatal Program		
	<b>Item Priority:</b> 6		
<b>Includes Funding for the Following Strategy or Strategies:</b>	01-01-02 Integrated Eligibility and Enrollment (IEE)		
	02-01-04 Children & Medically Needy Risk Groups		
	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		
	03-01-04 CHIP Perinatal Services		
	03-01-05 CHIP Vendor Drug Program		

**OBJECTS OF EXPENSE:**

3001 CLIENT SERVICES

**TOTAL, OBJECT OF EXPENSE**

81,265,877	77,415,506
<b>\$81,265,877</b>	<b>\$77,415,506</b>

**METHOD OF FINANCING:**

555 FEDERAL FUNDS

93.767.000 CHIP

93.778.000 Medical Assistance Program

706 VENDOR DRUG REBATES-MEDICAID

758 GR MATCH FOR MEDICAID

8025 TOBACCO RECEIPTS MATCH FOR CHIP

8081 Vendor Drug Rebates-Sup Rebates

**TOTAL, METHOD OF FINANCING**

241,743,071	265,045,236
-153,208,183	-175,195,672
-2,820,786	-3,353,130
-95,656,857	-108,434,628
91,741,645	99,980,568
-533,013	-626,868
<b>\$81,265,877</b>	<b>\$77,415,506</b>

**DESCRIPTION / JUSTIFICATION:**

This request would maintain CHIP perinatal program implemented during FY 2007. Because of the partial implementation during the 2006-07 biennium, the program could not be maintained in the 2008-09 CHIP baseline request. Therefore, the baseline funding for Medicaid included these children as entitlement caseload. Additionally, \$41.6 million of this request is a part of the restoration funding of the 10 percent reduction imposed in the baseline request

By reinstating the perinate program in this exceptional item request, the Medicaid program baseline funding is reduced and the CHIP program increases. This request provides a

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CODE	DESCRIPTION	Excp 2008	Excp 2009
	net biennial savings of \$19.7 million GR but a \$156.7 million increase of All Funds. The GR savings accrues because the state match rate is lower for CHIP than Medicaid thereby drawing a higher rate of matching federal funds.		

CHIP caseloads would increase from 327,012 in FY 2007 to 335,477 recipients in FY 2008 and 339,037 recipients in FY 2009. Medicaid caseloads would decrease from baseline request projections to 2,937,221 recipients in FY 2008 and to 3,057,937 recipients in FY 2009. There is a difference in caseloads because CHIP coverage would include the time the unborn child is covered, unlike in Medicaid.

**EXTERNAL/INTERNAL FACTORS:**

The most significant external factor impacting the Perinatal initiative is the long-term availability of CHIP federal funding. Estimating potential caseload growth with future federal allocations would require significantly altering the program by FY 2011 as federal funding would run. Additionally, the CHIP program is subject to federal reauthorization in FY 2007 which could impact Texas's allocation.

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**CODE DESCRIPTION**

	<b>Excp 2008</b>	<b>Excp 2009</b>
<b>Item Name:</b> Provide State Funding for Alberto N Lawsuit Settlement		
<b>Item Priority:</b> 7		
<b>Includes Funding for the Following Strategy or Strategies:</b> 02-03-03 Health Steps (EPSDT) Comprehensive Care Program		
<b>OBJECTS OF EXPENSE:</b>		
3001 CLIENT SERVICES	132,319,115	140,623,468
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>132,319,115</b>	<b>140,623,468</b>
<b>METHOD OF FINANCING:</b>		
555 FEDERAL FUNDS		
93.778.000 Medical Assistance Program		
758 GR MATCH FOR MEDICAID	80,317,703	85,597,505
<b>TOTAL, METHOD OF FINANCING</b>	<b>52,001,412</b>	<b>55,025,963</b>
	<b>132,319,115</b>	<b>140,623,468</b>

**DESCRIPTION / JUSTIFICATION:**

This request would address the lawsuit requirements of Alberto N. vs. Albert Hawkins which was filed in 1999. The plaintiffs are children with disabilities and chronic health conditions who alleged they have been denied medically necessary in-home Medicaid services. These services include private duty nursing (PDN), personal care services and durable medical equipment (DME). There was an initial settlement in 2002 and a final settlement agreement was reached and approved by the Court in June 2005.

The settlement agreement would 1) provide all medically necessary DME, nursing services (either through a home health skilled nurse or a private duty nurse provided through the Comprehensive Care Program at HHSC; 2) provide all necessary personal care services, taking into consideration the parent's needs and competencies; 3) eliminate diagnosis-based criteria for services; 4) revise the method for calculating and allocating the number of PDN and personal care services hours; and 5) coordinate nursing and personal care services hours. The State would also be permitted to make changes to the agreement based on changes in federal or state law. Implementation would begin January 2007 and conclude December 2008.

**EXTERNAL/INTERNAL FACTORS:**

Costs associated with provider rate increases are not included in this request but will be submitted in October 2006 as a part of the HHS Consolidated Budget.

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**CODE DESCRIPTION**

	Excp 2008	Excp 2009
<b>Item Name:</b> Maintain Compliance with Federal HIPAA Regulations		
<b>Item Priority:</b> 8		
<b>Includes Funding for the Following Strategy or Strategies:</b>		
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.		
02-02-01 Cost Reimbursed Services		
02-02-02 Medicaid Vendor Drug Program		
02-03-03 Health Steps (EPSDT) Comprehensive Care Program		
<b>OBJECTS OF EXPENSE:</b>		
5000 CAPITAL EXPENDITURES		
<b>TOTAL, OBJECT OF EXPENSE</b>	7,500,004	7,500,004
	<b>\$7,500,004</b>	<b>\$7,500,004</b>
<b>METHOD OF FINANCING:</b>		
555 FEDERAL FUNDS		
93.778.000 Medical Assistance Program		
758 GR MATCH FOR MEDICAID		
<b>TOTAL, METHOD OF FINANCING</b>	4,875,002	4,875,002
	2,625,002	2,625,002
	<b>\$7,500,004</b>	<b>\$7,500,004</b>

**DESCRIPTION / JUSTIFICATION:**

This request would continue HIPAA (Health Insurance Portability and Administration Act) Initiatives that ensure compliance with federal regulations regarding healthcare claims processing. This funding would allow for standardization of electronic claims attachments, the update of federal coding (diagnosis and inpatient procedure codes) by October 1, 2008, and the implementation by 2008 of a federal plan for National ID.

This is also a capital funding request. Funding for this phase of the project is matched at various match rates.

**EXTERNAL/INTERNAL FACTORS:**

Texas Medicaid must comply federal regulations to standardize healthcare information. Reduced federal funding or sanctions could result if federal mandates are not followed.



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Agency name:

**Health and Human Services Commission**

**CODE DESCRIPTION**

	<b>Excp 2008</b>	<b>Excp 2009</b>
<b>Item Name:</b> Reduce HHS Waiting and Interest Lists		
<b>Item Priority:</b> 9		
<b>Includes Funding for the Following Strategy or Strategies:</b> 02-04-01 State Medicaid Office		
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES		
2005 TRAVEL	2,580,886	5,161,758
2009 OTHER OPERATING EXPENSE	224,225	449,670
3001 CLIENT SERVICES	707,525	1,283,654
4000 GRANTS	110,932,431	320,446,710
	1,230,766	1,230,766
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$115,675,833</b>	<b>\$328,572,558</b>

**METHOD OF FINANCING:**

1 GENERAL REVENUE FUND		
555 FEDERAL FUNDS	13,534,520	21,957,254
93.778.003 XIX 50%		
93.778.007 XIX ADM @ 100	1,557,315	3,051,623
758 GR MATCH FOR MEDICAID	60,099,294	181,328,975
	40,484,704	122,234,706
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$115,675,833</b>	<b>\$328,572,558</b>

**FULL-TIME EQUIVALENT POSITIONS (FTE):**

	75.10	150.20
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**DESCRIPTION / JUSTIFICATION:**

This is the second of two exceptional items to reduce waiting/interest list programs.

For DADS, this funding reduces current waiting/interest lists by 20% over the FY 2008-2009 biennium. There is no waiting list for the Consolidated Waiver Program which draws from waiting lists of five waiver programs - Community -Based Alternative (CBA), Medically Dependent Children's Program (MDCP), Home and Community -Based Services (HCS), Deaf-Blind with Multiple Disabilities (DBMD), and Community Living Assistance and Support Services (CLASS). For DSHS, this funding eliminates the current Adult Community Mental Health, Child & Adolescent Community Mental Health, and Children with Special Health Care Needs (CSHCN) waiting/interest lists.

When combined with the other exceptional item request, funding completely eliminates the DSHS and DARS waiting/interest lists.

Staffing costs are associated with additional LTC eligibility FTEs at DADS. This request was prepared by DADS, DSHS, and DARS.

**EXTERNAL/INTERNAL FACTORS:**

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**CODE DESCRIPTION**

**Excp 2008**

**Excp 2009**

DADS:  
Where applicable, the associated costs of Medicaid acute care and prescription drugs are included in the request, as well as administrative costs for determining eligibility, completing assessments and reassessments, developing service plans, and monitoring service delivery. Cost assumptions do not include increases to current rates.

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CODE DESCRIPTION

		Excp 2008	Excp 2009
	Item Name: Increase Office of Inspector General (OIG) Support		
	Item Priority: 10		
Includes Funding for the Following Strategy or Strategies: 01-02-01 Office of Inspector General			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES		
2001	PROFESSIONAL FEES AND SERVICES	6,449,559	6,449,559
2003	CONSUMABLE SUPPLIES	130,500	130,500
2005	TRAVEL	42,977	42,977
2006	RENT - BUILDING	287,400	287,400
2009	OTHER OPERATING EXPENSE	495,948	495,948
		716,108	716,108
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$8,122,492</b>	<b>\$8,122,492</b>
<b>METHOD OF FINANCING:</b>			
1	GENERAL REVENUE FUND		
555	FEDERAL FUNDS	203,462	203,462
10.559.000	Summer Food Service Prog		
10.560.000	State Administrative Exp	205	205
10.561.000	St Admin Match Food Stamp	3,812	3,812
10.568.000	Emergency Food Assistanc	359,594	359,594
93.558.000	Temp AssistNeedy Families	20	20
93.566.000	Refugee and Entrant Assis	151,797	151,797
93.667.000	Social Svcs Block Grants	484	484
93.767.000	CHIP	130	130
93.778.000	Medical Assistance Program	5,700	5,700
758	GR MATCH FOR MEDICAID	3,610,846	3,610,846
759	GR MOE FOR TANF	2,660,983	2,660,983
777	INTERAGENCY CONTRACTS	0	0
8010	GR MATCH FOR TITLE XXI	711,092	711,092
8014	GR MATCH FOOD STAMP ADM	2,168	2,168
8032	GR CERTIFIED AS MATCH FOR MEDICAID	359,594	359,594
		52,605	52,605
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$8,122,492</b>	<b>\$8,122,492</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>			
		85.00	85.00

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**CODE DESCRIPTION**

**DESCRIPTION / JUSTIFICATION:**

Excp 2008

Excp 2009

The estimated fraud, waste, and abuse within Medicaid spending is about 7% to 10%. Analysis of current requirements, unaddressed increased workloads, and new requirements based on the Federal Deficit Reduction Act of 2005, showed 224 FTEs needed to meet the projected load. The 224 was reduced to 85 by analysis of risks (forgoing pursuit of lower dollar potential recoveries) and still accomplishing mandated functions, including the CMS Comprehensive Medicaid Integrity Plan (MIP), the first national strategy to detect and prevent Medicaid fraud and abuse. The 85 FTEs is a 14.95% increase. This exceptional item would increase nurse positions by 18 additional staff. The cost of a recruitment bonus, salary adjustments and a set allocation (\$150) to reimburse nurses for license and/or continuing education for these 18 positions totals \$192,557 annually. This amount is not included in Exceptional Item #16, "HHSC Nurse Retention & Recruitment", for Enterprise nurse positions.

**EXTERNAL/INTERNAL FACTORS:**

Risks identified include:

Deficit Reduction Act of 2005 – creates MIP, which increases CMS obligations and resources to combat fraud and abuse. MIP will require additional state resources in coordinating, investigating, and consulting with CMS MIP.

Deficit Reduction Act of 2005 – implements Payment Error Rate Measurement (PERM) for claims in 2007 and all Medicaid/SCHIP programs in 2008, with negative financial ramifications for high error rates. PERM requires strengthening Texas' program integrity oversight to show emphasis on identifying and collecting program overpayments and prosecution of violators.

OIG responsibility for audits/investigations for Long Term Care Facilities, Outpatient Hospitals, Managed Care Organizations, and other HHS programs, and implementation of the Texas Homeland Security Strategic Plan.

Funding at risk: Nursing Facilities - \$1.5 billion; community services - \$1.1 billion; application controls - \$18.9 million; annual MCO audits - \$1.8 billion; specialized audits - \$2.8 billion; vendor drug audits - \$2.4 million; CBA and Nursing Facility TILE reviews - \$4.4 billion; General Investigations: \$1.2 million.

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**CODE DESCRIPTION**

	<u>Excp 2008</u>	<u>Excp 2009</u>
<b>Item Name:</b> Expand Family Violence Services		
<b>Item Priority:</b> 11		
<b>Includes Funding for the Following Strategy or Strategies:</b> 04-02-01 Family Violence Services		
<b>OBJECTS OF EXPENSE:</b>		
4000 GRANTS		
<b>TOTAL, OBJECT OF EXPENSE</b>	1,000,000	1,000,000
	<b>\$1,000,000</b>	<b>\$1,000,000</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND		
<b>TOTAL, METHOD OF FINANCING</b>	1,000,000	1,000,000
	<b>\$1,000,000</b>	<b>\$1,000,000</b>

**DESCRIPTION / JUSTIFICATION:**

This request would provide additional funding to improve family violence services in underserved areas of the state and help the Family Violence Program achieve its goal of promoting self-sufficiency, safety, and long-term independence from family violence.

To achieve programmatic goals, HHSC requests exceptional item funding to expand and increase services in the following targeted service areas:

- Primary Prevention services that would employ a variety of methods to prevent domestic violence before it occurs. These methods may include both school and community based educational opportunities and prevention of dating violence and bullying.
- Transitional Housing services would enable shelters to serve additional clients in crisis by moving clients with less immediate and acute needs into transitional housing.
- Legal Services would provide clients with additional assistance in such areas as protective orders, custody disputes, and court appearances.
- Job Training services that support victims in becoming self-sufficient and would include both short and long-term focused training ranging from interviewing skills to assisting victims achieve a college education.
- Child Care services that would allow clients to work or attend school in order to become self-sufficient.

A funding strategy dedicated to primary prevention would benefit an estimated additional 3,000 persons per year.

**EXTERNAL/INTERNAL FACTORS:**

Current statistics indicate the the number of victims of family violence will continue to grow.

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**CODE DESCRIPTION**

	<b>Item Name:</b> Support Critical Building Maintenance	<b>Excp 2008</b>	<b>Excp 2009</b>
	<b>Item Priority:</b> 12		
<b>Includes Funding for the Following Strategy or Strategies:</b> 01-03-01 Consolidated System Support			
<b>OBJECTS OF EXPENSE:</b>			
2001	PROFESSIONAL FEES AND SERVICES	1,392,977	0
2003	CONSUMABLE SUPPLIES	8,664	0
2004	UTILITIES	8,695	0
2009	OTHER OPERATING EXPENSE	27,060	0
5000	CAPITAL EXPENDITURES	0	0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,437,396</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>			
1	GENERAL REVENUE FUND		
<b>TOTAL, METHOD OF FINANCING</b>		<b>1,437,396</b>	<b>0</b>
		<b>\$1,437,396</b>	<b>\$0</b>

**DESCRIPTION / JUSTIFICATION:**

Several buildings on the Austin State Hospital campus are currently utilized by HHSC and DSHS for administrative offices and enterprise support functions. This request would provide funding to repair and replace existing Life Safety Code deficiencies, missing emergency generators, deteriorated doors and windows, electrical changes, and roofs.

These seven buildings have the potential for renovation and remain viable for this investment at this time. If funding is not secured, the State will probably incur greater future costs for relocation of staff to safer leased property if space in state-owned buildings is unavailable.

This request is not included in any DSHS request of building maintenance and repair of campus hospital facilities.

**EXTERNAL/INTERNAL FACTORS:**

Postponing the repairs and replacements would result in continued deterioration of the building systems, which can result in the buildings becoming unoccupiable. Additionally, deterioration of one building system often causes accelerated deterioration of another, thereby accelerating repair and replacement costs well beyond the original cost.

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Agency name:

**Health and Human Services Commission**

**CODE DESCRIPTION**

		Excp 2008	Excp 2009
	<b>Item Name:</b> Improve HHS Telecommunications & Information Technology Systems & Security		
	<b>Item Priority:</b> 13		
<b>Includes Funding for the Following Strategy or Strategies:</b>			
	01-03-01 Consolidated System Support		
	05-01-02 Information Technology Program Support		
<b>OBJECTS OF EXPENSE:</b>			
2001	PROFESSIONAL FEES AND SERVICES		
2004	UTILITIES	2,669,165	8,627,500
2009	OTHER OPERATING EXPENSE	10,199	6,000
5000	CAPITAL EXPENDITURES	862,290	866,845
	<b>TOTAL, OBJECT OF EXPENSE</b>	15,152,184	10,977,440
		<b>\$18,693,838</b>	<b>\$20,477,785</b>

**METHOD OF FINANCING:**

1	GENERAL REVENUE FUND		
555	FEDERAL FUNDS	5,129,444	6,021,161
10.559.000	Summer Food Service Prog		
10.560.000	State Administrative Exp	5,035	5,335
10.561.000	St Admin Match Food Stamp	93,563	99,001
10.568.000	Emergency Food Assistanc	1,223,794	1,294,893
93.044.000	SPECIAL PROGRAMS FOR THE	509	542
93.045.000	Special Programs for the	1,272	1,286
93.052.000	NATL FAMILY CAREGIVER SUPPORT PGM	1,713	1,733
93.558.000	Temp AssistNeedy Families	629	637
93.566.000	Refugee and Entrant Assis	360,855	381,825
93.658.050	Foster Care Title IV-E Admin @ 50%	11,890	12,582
93.659.050	Adoption Assist Title IV-E Admin	267,111	308,378
93.667.000	Social Svcs Block Grants	31,522	36,391
93.767.000	CHIP	96,662	97,904
93.777.000	State Survey and Certific	139,918	148,045
93.777.003	CLINICAL LAB AMEND PROGRM	131,096	132,579
93.778.000	Medical Assistance Program	93,651	94,711
93.778.003	XIX 50%	1,925,623	2,053,619
93.778.004	XIX ADM @ 75%	200,538	204,787
93.778.005	XIX FMAP	41,542	42,011
93.779.000	Health Care Financing Res	2,160,517	2,184,959
		340	343

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CODE	DESCRIPTION	Excp 2008	Excp 2009
96.001.000	Social Security Disability Ins		
666	APPROPRIATED RECEIPTS	178,989	242,338
758	GR MATCH FOR MEDICAID	15,118	15,290
759	GR MOE FOR TANF	2,092,040	2,216,384
777	INTERAGENCY CONTRACTS	0	0
8010	GR MATCH FOR TITLE XXI	1,626,907	1,925,360
8014	GR MATCH FOOD STAMP ADM	53,207	56,291
8032	GR CERTIFIED AS MATCH FOR MEDICAID	1,223,794	1,294,893
8095	MR COLLECT-PAT SUPP & MAINT	1,416,721	1,432,747
8096	MR APPROPRIATED RECEIPTS	151,182	152,893
8097	MR MEDICARE RECEIPTS	7,776	7,864
<b>TOTAL, METHOD OF FINANCING</b>		10,880	11,003
		<b>\$18,693,838</b>	<b>\$20,477,785</b>

**DESCRIPTION / JUSTIFICATION:**

This funding request would support several HHS enterprise initiatives that would improve telecommunications and technological systems and security. Requested state funding represents the state share for all five HHS agencies.

The Enterprise Information & IT Asset Management initiative would implement business, asset and IT modeling to capture performance indicators and service level metrics as well as building an on-demand information Management and Data Warehouse capability. This request will fulfill statutory requirements in SB 1188, HB 2292, and HB 1516. Biennial estimates total \$10.4 million GR and \$20 million All Funds.

The creation of an HHS Security Services Center/Forensics Lab would improve the overall security of HHS IT assets through testing, vulnerability assessments, and centralized patch management / vulnerability remediation. Biennial estimates total \$1.2 million GR and \$2.3 million All Funds.

Requested funding would implement Identity Management, including single sign-on for all applications needed by an employee. Biennial estimates total \$0.7 million GR and \$1.3 million All Funds and would put the Enterprise in compliance with SAO findings.

HSC would acquire software licenses for application development staff use in developing web-based applications in a Service-Oriented Architecture environment. Biennial estimates total \$0.2 million GR and \$0.4 million All Funds.

The telecommunications enhancement initiative includes regional office PBX enhancements, improved voice mail systems, and the streamlined use of toll-free numbers. Biennial estimates total \$4.8 million GR and \$7.7 million All Funds.

The Messaging and Collaboration initiative would standardize messaging and collaboration technologies across the enterprise to improve productivity, performance and



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availability, security against SPAM and viruses, and collaboration efforts. Biennial estimates total \$4.6 million GR and \$7.6 million All Funds.		

**EXTERNAL/INTERNAL FACTORS:**

External factors driving this request include compliance with state and federal requirements (SB1188, HB2292, and HB1516, CMS security requirements), complying with statewide IT consolidation efforts led by DIR, and providing the public access to state services through expanded means such as Internet and phone systems.

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**CODE DESCRIPTION**

	<b>Excp 2008</b>	<b>Excp 2009</b>
<b>Item Name:</b> Maintain Facility and Regional Infrastructure with Vehicle Replacements		
<b>Item Priority:</b> 14		
<b>Includes Funding for the Following Strategy or Strategies:</b>		
01-03-01 Consolidated System Support		
05-01-04 Regional Program Support		
 <b>OBJECTS OF EXPENSE:</b>		
5000 CAPITAL EXPENDITURES		
<b>TOTAL, OBJECT OF EXPENSE</b>	623,758	0
	<b>\$623,758</b>	<b>\$0</b>
 <b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND		
<b>TOTAL, METHOD OF FINANCING</b>	623,758	0
	<b>\$623,758</b>	<b>\$0</b>

**DESCRIPTION / JUSTIFICATION:**

This capital request of \$1.5 million, all funds, is for vehicle replacement for 22 vehicles that will maintain support of DADS State Schools and DSHS State Hospitals as well as HHS regional operations. This request would replace vehicles exceeding the state parameters of mileage in excess of 100,000 miles. Funding would:

Replace two Trucks and two trailers that deliver frozen food products to the State Schools and Hospitals.

Replace 2 mini-vans, 2 station wagons, 1 sedan and 1 truck that are currently used by staff at HHSC, DADS and DSHS to provide program and service oversight to State Hospitals and Schools.

Replace 12 vehicles used in the 11 HHS regions staff for system support tasks. Vehicles are used to deliver mail, office supplies, facilitate moves and support IT tasks.

As the vehicles are depreciated, federal funding would be obtained in future years as Earned Federal Funds. These purchases would meet federal definitions of capital requiring depreciation.

**EXTERNAL/INTERNAL FACTORS:**

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**CODE DESCRIPTION**

	<b>Excp 2008</b>	<b>Excp 2009</b>
<b>Item Name:</b> Increase Coordination of Health Services		
<b>Item Priority:</b> 15		
<b>Includes Funding for the Following Strategy or Strategies:</b> 01-01-01 Enterprise Oversight and Policy		
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES		
1002 OTHER PERSONNEL COSTS	180,046	180,046
2001 PROFESSIONAL FEES AND SERVICES	3,000	3,000
2003 CONSUMABLE SUPPLIES	334,176	334,176
2004 UTILITIES	3,900	3,900
2005 TRAVEL	200	200
2009 OTHER OPERATING EXPENSE	9,883	9,883
<b>TOTAL, OBJECT OF EXPENSE</b>	50,495	50,495
	<b>\$581,700</b>	<b>\$581,700</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND		
<b>TOTAL, METHOD OF FINANCING</b>	581,700	581,700
	<b>\$581,700</b>	<b>\$581,700</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		
	3.50	3.50

**DESCRIPTION / JUSTIFICATION:**

This request would provide staffing & other resources to address health services critical to children & individuals with disabilities.

1. Funding would expand the Texas Integrated Funding Initiative (TIFI) to two additional communities (\$0.3 million GR annually). This initiative support serious emotionally disturbed children who are at risk of costly out-of-home placements with community & family-based alternatives. TIFI to develop local mental health care systems for children in up to six communities. Four communities have been funded with small amounts of seed money for the past six years & this has provided local entities with the capability of receiving almost \$20 million in federal dollars. These communities have successfully implemented a system change service delivery approach to produce more positive outcomes for children/youth & their families.
2. State funding of \$0.3 million would continue the Early Childhood Comprehensive Systems initiative currently funded through an expiring federal grant to improve communication, coordination & efficiency within & beyond the HHS system of services for children under age six. The funding will support the current FTE & a new FTE, to implement activities across the HHS system, as well as across non-HHS systems, including education & childcare. The additional funding would facilitate a more coordinated & comprehensive system of services that more efficiently meets the needs of children under age six.
3. Funding of \$0.3 million GR would establish an Office for Acquired Brain Injury to respond to the increasing number of survivors of traumatic brain injuries (TBI), many of whom face lifelong needs for support. This situation is particularly relevant to servicemen & women who are returning war veterans. With changing demographics & an

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	increasing population of individuals who are permanently disabled by brain injury in Texas, there is a critical unmet need for information & care coordination.		

**EXTERNAL/INTERNAL FACTORS:**

There is increasing demand for support service for individuals with disabilities.

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**CODE DESCRIPTION**

	Excp 2008	Excp 2009
<b>Item Name:</b> Increase Nurse Retention and Recruitment across HHS Enterprise		
<b>Item Priority:</b> 16		
<b>Includes Funding for the Following Strategy or Strategies:</b>		
01-02-01 Office of Inspector General		
01-03-01 Consolidated System Support		
02-04-01 State Medicaid Office		
 <b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES		
1002 OTHER PERSONNEL COSTS	470,971	470,971
2009 OTHER OPERATING EXPENSE	18,866,019	21,529,237
<b>TOTAL, OBJECT OF EXPENSE</b>	271,891	271,891
	<b>\$19,608,881</b>	<b>\$22,272,099</b>
 <b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND		
555 FEDERAL FUNDS	12,503,950	15,167,168
93.777.000 State Survey and Certific		
93.777.002 SURVEY & CERT @ 75%	1,041,254	1,041,254
93.778.000 Medical Assistance Program	627,134	627,134
93.778.003 XIX 50%	2,673,614	2,681,102
93.778.004 XIX ADM @ 75%	16,192	16,192
758 GR MATCH FOR MEDICAID	593,719	593,719
8032 GR CERTIFIED AS MATCH FOR MEDICAID	421,995	421,995
<b>TOTAL, METHOD OF FINANCING</b>	1,731,023	1,723,535
	<b>\$19,608,881</b>	<b>\$22,272,099</b>
 <b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		
	108.00	162.00

**DESCRIPTION / JUSTIFICATION:**

This item is requested on behalf of DADS, DSHS, and HHSC to improve nurse retention and recruitment throughout the HHS system. Turnover rate of 27% for Registered Nurses (RN) and 31% for Licensed Vocational Nurses (LVN) in HHS agencies are well above the statewide average of 17% for all state employees. Likewise, vacancy rate continue to be high in the area at 17% for RNs and 10% for LVNs. This exceptional item would increase salaries by an average of 15% for 1682 RNs and 1,010 LVNs working in HHS agencies, primarily in state mental health hospitals (DSHS), state schools (DADS), the long term care regulatory function (DADS), and nurse investigators at HHSC OIG as well as in Medicaid.

This request also includes two additional incentives to assist in recruitment and retention of nurses. 1 Educational stipends to provide current HHS agency staff with the opportunity to achieve nursing certification in exchange for a commitment to remain with the state for a specified period of time. This stipend would provide salary and

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education expenses to support 50 staff pursuing LVN certification, 50 associate RNs, 4 bachelors' - level RNs, and 4 master's level nurses each year. 2. A set allocation of \$150 to reimburse nurses for license renewal and/or continuing education cost. Exceptional item # 10, "Increase OIG Support", would increase the number of nurses by 18 FTEs. The additional costs for these 18 nurse positions totals \$192,557 annually which has not been included in this request.		

**EXTERNAL/INTERNAL FACTORS:**

High turnover and vacancy rates among HHS nurses impact the quality of client services in several key areas. The state must also bear increased cost related to recruitment, training, and a loss of productivity associated with frequently hiring new employees. In order to ensure efficient use of resources and a high quality of services, HHS agencies must offer compensation that is competitive with private sector employers across the state, which offers nurses an estimated 15% higher average salary than HHS agencies currently offer. In order to implement that salary increase requested, a reallocation of nurse position classifications will be requested through the State Auditor's Office.

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	<b>Excp 2008</b>	<b>Excp 2009</b>
Item Name: Implement Criminal History Checks of Health Providers		
Item Priority: 17		
Includes Funding for the Following Strategy or Strategies: 01-02-01 Office of Inspector General		
<b>OBJECTS OF EXPENSE:</b>		
2009 OTHER OPERATING EXPENSE	940,100	940,100
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$940,100</b>	<b>\$940,100</b>
<b>METHOD OF FINANCING:</b>		
555 FEDERAL FUNDS		
93.778.003 XIX 50%		
758 GR MATCH FOR MEDICAID	470,050	470,050
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$940,100</b>	<b>\$940,100</b>

**DESCRIPTION / JUSTIFICATION:**

Effective December 1, 2005, the Office of Inspector General's Medical Provider Integrity Unit (MPI) began conducting criminal history checks on all Medicaid provider applicants, including those with ownership and principal interests, using the Department of Public Safety (DPS) secured website, at a cost of \$1.00 per applicant. This process would be completed in FY2008.

Future Medicaid applicants, including those with ownership and principal interest, would be subject to a nation-wide criminal history check, at a cost of \$48.95 each, through the DPS vendor Indentix Identification Services. Criminal history checks will only be required at the time of enrollment. After completion of the initial criminal history check, OIG would be notified electronically if the provider had been arrested at a later date in any state in the nation.

**EXTERNAL/INTERNAL FACTORS:**

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**CODE DESCRIPTION**

	Excp 2008	Excp 2009
<b>Item Name:</b> Maintain Support of EBT Infrastructure and Implement Integrated Benefits Card		
<b>Item Priority:</b> 18		
<b>Includes Funding for the Following Strategy or Strategies:</b> 01-01-02 Integrated Eligibility and Enrollment (IEE)		
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES		
2001 PROFESSIONAL FEES AND SERVICES	122,722	473,553
2004 UTILITIES	0	359,600
2009 OTHER OPERATING EXPENSE	0	60,000
5000 CAPITAL EXPENDITURES	1,603,841	3,313,858
<b>TOTAL, OBJECT OF EXPENSE</b>	1,600,000	0
	<b>\$3,326,563</b>	<b>\$4,207,011</b>

**METHOD OF FINANCING:**

555 FEDERAL FUNDS		
10.557.001 SPECIAL SUPPL FOOD WIC		
10.561.000 St Admin Match Food Stamp	6,328	70,351
93.558.000 Temp AssistNeedy Families	1,582,397	1,716,577
93.778.003 XIX 50%	94,008	70,352
758 GR MATCH FOR MEDICAID	28,476	316,577
759 GR MOE FOR TANF	28,477	316,577
8014 GR MATCH FOOD STAMP ADM	4,480	0
<b>TOTAL, METHOD OF FINANCING</b>	1,582,397	1,716,577
	<b>\$3,326,563</b>	<b>\$4,207,011</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	7.60	7.60

**DESCRIPTION / JUSTIFICATION:**

This request would maintain support of the Electronic Benefit Transfer (EBT) system and implement the Integrated Benefits (IBC) Card. Texans receiving TANF cash assistance and Food Stamps obtain their benefits electronically. HHSC uses an EBT system, known as the Lone Star Card, to deliver TANF and Food Stamp benefits. The EBT system has not requested new funding since 1999 and is being reprocured during the 2006-07 biennium. The integrated benefits card project would integrate the Lone Star Card with the Medicaid Access card, allowing clients to use a single card for all target programs and provide a platform for expansion to other programs. A feasibility study has been completed for IBC.

Funding would cover variable contract costs such as transaction fees, card issuance and increased call center activity, associated with caseload growth.

The EBT system has been operating for twelve years with no major updates to the central processing hardware or the operating system. In order to ensure compliance with federal Food Stamp Program requirements, the EBT system needs to be migrated to a platform that is fully supported. Maintenance for one of the key components of the current



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platform is no longer available in the current environment. Migration to a Unix platform would resolve this issue as well as improve overall system performance and reliability. An additional advantage is that the new system may be easily scaled to adjust to changes in volume or to expand services and programs covered by the Lone Star Card.

The IBC implementation would consolidate card management functions and would provide savings in future biennia for program operations, card issuance, replacement, and storage. It would provide greater convenience and security for clients and providers.

**EXTERNAL/INTERNAL FACTORS:**

Implementation of an integrated benefits card would require federal approval and would have federal cost allocation issues to address.

The reprocurement of the EBT contracted services could also impact future costs.

The MOF for this exceptional item includes TANF federal. If sufficient TANF federal is not available, then GR would be needed instead.

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**CODE DESCRIPTION**

		Excp 2008	Excp 2009
	<b>Item Name:</b> Restore Medicaid and CHIP Provider Rates to 2003 Levels		
	<b>Item Priority:</b> 19		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	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		
	02-01-06 STAR+PLUS (Integrated Managed Care)		
	02-02-02 Medicaid Vendor Drug Program		
	03-01-01 Children's Health Insurance Program (CHIP)		
	03-01-02 Immigrant Children Health Insurance		
	03-01-03 School Employee Children Insurance		
<b>OBJECTS OF EXPENSE:</b>			
3001	CLIENT SERVICES		
	<b>TOTAL, OBJECT OF EXPENSE</b>	297,401,720	309,620,233
		<b>\$297,401,720</b>	<b>\$309,620,233</b>
<b>METHOD OF FINANCING:</b>			
555	FEDERAL FUNDS		
93.767.000	CHIP		
93.778.000	Medical Assistance Program		
758	GR MATCH FOR MEDICAID	5,107,676	5,325,911
5040	TOBACCO SETTLMNT RECEIPTS	175,910,068	183,650,489
8025	TOBACCO RECEIPTS MATCH FOR CHIP	113,892,352	118,058,873
		553,258	575,916
	<b>TOTAL, METHOD OF FINANCING</b>	1,938,366	2,009,044
		<b>\$297,401,720</b>	<b>\$309,620,233</b>

**DESCRIPTION / JUSTIFICATION:**

This request would restore rate reductions incurred in the 2004-05 biennium from FY 2003 levels - 2.5 percent for medical professionals and 5.0 percent for hospitals. These funds would be used to cover increases in both Fee-for-Service (the traditional health care payment system, where physicians and other providers receive a payment for each unit of service provided) and Managed Care (a system in which the overall care of a patient is overseen by a single provider or organization) delivery models.

Costs associated with Medicaid rate restoration total \$237.0 million GR (\$127.5 million for inpatient hospital, \$16.7 million for outpatient hospital, \$43.3 million for medical professionals, \$3.7 million for pharmacists' dispensing fee, \$1.7 million for ambulance and \$39.1 million for managed care.)

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The costs associated with CHIP restoration total \$5.1 million GR for managed care.

**EXTERNAL/INTERNAL FACTORS:**

Most of the the other Medicaid providers that had rate reductions imposed during the 2004-05 biennium have been substantially restored except acute providers.

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**CODE DESCRIPTION**

	<b>Excp 2008</b>	<b>Excp 2009</b>
<b>Item Name:</b> Provide State Funding for Private Urban Hospital Upper Payment Limit (UPL) Program		
<b>Item Priority:</b> 20		
<b>Includes Funding for the Following Strategy or Strategies:</b> 02-02-01 Cost Reimbursed Services		
<b>OBJECTS OF EXPENSE:</b>		
3001 CLIENT SERVICES		
<b>TOTAL, OBJECT OF EXPENSE</b>	68,702,290	69,000,767
	<b>\$68,702,290</b>	<b>\$69,000,767</b>
<b>METHOD OF FINANCING:</b>		
555 FEDERAL FUNDS		
93.778.000 Medical Assistance Program		
758 GR MATCH FOR MEDICAID		
<b>TOTAL, METHOD OF FINANCING</b>	41,702,290	42,000,767
	27,000,000	27,000,000
	<b>\$68,702,290</b>	<b>\$69,000,767</b>

**DESCRIPTION / JUSTIFICATION:**

This request would fund payments to private urban hospitals under the Upper Payment Limit (UPL) Program in the 2008-09 biennium. These payments to high volume hospitals were made during the 2004-05 biennium but no funding was appropriated to continue them during the 2006-07 biennium.

**EXTERNAL/INTERNAL FACTORS:**

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	<b>Excp 2008</b>	<b>Excp 2009</b>
<b>Item Name:</b> Replace Non Recurring Intergovernmental Transfer (IGT) <b>Item Priority:</b> 21 <b>Includes Funding for the Following Strategy or Strategies:</b> 02-01-06 STAR+PLUS (Integrated Managed Care)		
<b>METHOD OF FINANCING:</b>		
758 GR MATCH FOR MEDICAID	58,500,000	58,500,000
8062 Approp Receipts-Match for Medicaid	-58,500,000	-58,500,000
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$0</b>	<b>\$0</b>

**DESCRIPTION / JUSTIFICATION:**

This request would provide state funding of \$58.5 million annually to STAR+PLUS providers in lieu of an intergovernmental transfer. The transfer from local hospitals of a \$58.5 million offsets a GR reduction imposed pursuant to S.B. 1, Article II, Special Provisions, Section 49 which was a biennial reduction of \$109.5 million GR.

The IGT was assumed in both years of the baseline request.

**EXTERNAL/INTERNAL FACTORS:**

The hospitals providing the IGT transfer in FY 2007 have indicated that this a one-time, non-recurring transfer.

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CODE	DESCRIPTION	Excp 2008	Excp 2009
	Item Name: Provide State Funding in lieu of Hospital Financed IGT Item Priority: 22 Includes Funding for the Following Strategy or Strategies: 02-01-04 Children & Medically Needy Risk Groups		
	<b>METHOD OF FINANCING:</b>		
758	GR MATCH FOR MEDICAID		
8062	Approp Receipts-Match for Medicaid	26,338,708	26,338,708
	<b>TOTAL, METHOD OF FINANCING</b>	-26,338,708	-26,338,708
		<b>\$0</b>	<b>\$0</b>

**DESCRIPTION / JUSTIFICATION:**

General Revenue funds are requested in lieu of intergovernmental transfers (IGTs) that were assumed in the baseline request from public hospitals as a revenue source to draw down federal funds. In order to minimize the impact of required provider rate reductions in recent years, the agency was authorized to use IGTs - fund exchanges among or between different levels of government.

**EXTERNAL/INTERNAL FACTORS:**

This was a IGT put in place during the 2002-03 biennium in lieu of a rate reduction. The HHSC Studies on hospital reimbursement required during the 2006-07 biennium pursuant to HHSC riders 60 and 61 could also impact funding decisions related to this IGT.

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	<b>Item Name:</b>	<b>Excp 2008</b>	<b>Excp 2009</b>
	Provide State Funding for Graduate Medical Education (GME)		
	<b>Item Priority:</b> 23		
<b>Includes Funding for the Following Strategy or Strategies:</b> 02-02-01 Cost Reimbursed Services			
<b>OBJECTS OF EXPENSE:</b>			
3001 CLIENT SERVICES		103,053,435	103,501,150
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$103,053,435</b>	<b>\$103,501,150</b>

**METHOD OF FINANCING:**

555 FEDERAL FUNDS			
93.778.000 Medical Assistance Program		62,553,435	63,001,150
758 GR MATCH FOR MEDICAID		40,500,000	40,500,000

**DESCRIPTION / JUSTIFICATION:**

This request would provide state funding to support Graduate Medical Education (GME) in teaching hospitals which operate approved medical residency training programs. These teaching hospitals provide physician training, care for the uninsured, conduct medical research, provide highly specialized services, and educate medical students, nurses and other healthcare professionals. Medicaid GME payments recognize the higher cost incurred by teaching hospitals. Compared to non-teaching hospitals, teaching hospitals treat patients with more complex conditions and provide patient care that is more intensive and technologically sophisticated.

**EXTERNAL/INTERNAL FACTORS:**

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