



Major Appropriations Issues for Health and Human Services in Texas

Albert Hawkins, Executive Commissioner

February 2, 2005



HHS Consolidation Update

Agency Consolidation Guiding Principles

- Focus on service delivery.
- Foster direct management accountability.
- Reorganize around common service delivery.
- Promote integration and consistency.
- Achieve administrative support efficiencies.

- **12 HHS agencies consolidated into 5.**
 - **Department of Family and Protective Services (DFPS)**
 - Created February 1, 2004
 - **Department of Assistive and Rehabilitative Services (DARS)**
 - Created March 1, 2004
 - **Department of Aging and Disability Services (DADS)**
 - Created September 1, 2004
 - **Department of State Health Services (DSHS)**
 - Created September 1, 2004
 - **Health and Human Services Commission (HHSC)**
 - Consolidation completed September 1, 2004

• **Transition accomplishments:**

- Realignment and transfer of 46,000 employees to new agencies
- Created 5 new organizational structures
- Maintained all client service delivery functions
- Re-established Federal Cost Allocation Plan for approximately 100 different Federal funding streams
- Completes major H.B. 2292 restructuring

- **Transition accomplishments (cont.):**

- Implemented Consolidated Financial Management and Human Resource Management System (HHSAS)
 - Standardized system for all five agencies
 - Over 10,000 contracts transferred between agencies
 - Nearly 2,000 contracts entered into HHSAS for payment by end of the month

- **Consolidation of administrative and support services at HHSC eliminates redundancy, achieves economies of scale, and improves coordination.**

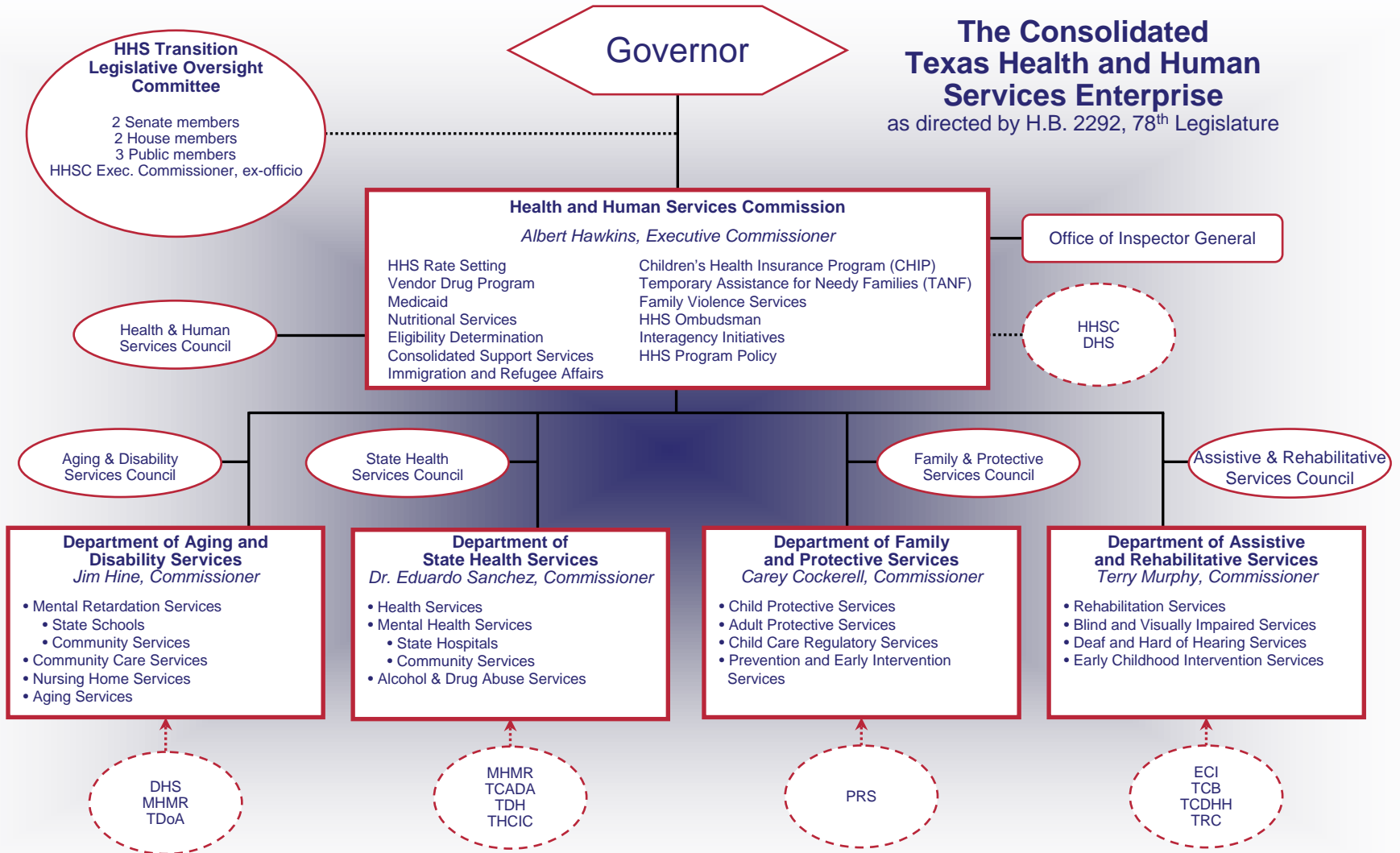
- **Support functions consolidated at HHSC**

- Human Resources
- Administrative Procurement/Contracting
- Office of Inspector General
- Strategic Planning
- Civil Rights
- Leasing and Facilities Management

- **Partially consolidated functions**

- Financial Services
 - Legal Services
 - Information Technology
 - Ombudsman
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HHS Consolidation Update



 Agencies formerly providing programs



Requested Supplemental State Appropriations for Fiscal Year 2005

Requested Supplemental State Appropriations for Fiscal Year 2005

Health and Human Services Commission (HHSC)

Medicaid Shortfall	\$505.4 million
CHIP Shortfall	\$68.1 million
Sec. 28, H.B. 1 Reductions Not Achieved	<u>\$85.8 million</u>
Sub-Total	\$659.3 million

Department of Family and Protective Services (DFPS)

Child Protective Services (CPS) Reform (A portion requires additional capital budget authority.)	\$5.3 million
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Department of Aging and Disability Services (DADS)

Caseload and Rates - Community Care, Nursing Facility and Hospice Payments	<u>\$25.5 million</u>
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Sub-Total, Health and Human Services Agencies GR Funding Needs **\$690.1 million**

Recommended Revenues -Specific Appropriation Authority Needed	\$ (183.8) million
Disproportionate Share Hospitals (DSH) - \$74.7 million	
Upper Payment Limit (UPL) - \$69.1 million	
Quality Assurance Fee (QAF) - \$40.0 million	

TOTAL, Supplemental State Appropriations Requested for Fiscal Year 2005 **\$506.3 million**



Major Caseload Projections

Major Caseload Projections

Medicaid Acute Care and Vendor Drug

- **Medicaid caseloads are projected to increase from 2.9 million enrollees in FY 2005 to between 3.4 and 3.6 million by FY2007.**
 - Caseload forecasts vary based on assumption of continuous eligibility for children ages 1-18 (non-TANF) of 6 months or 12 months, effective September 1, 2005 based on current statute
 - FY 2006: 3,124,110 at 6 months eligibility / 3,256,200 at 12 months eligibility
 - FY 2007: 3,356,597 at 6 months eligibility / 3,588,967 at 12 months eligibility
 - Forecasts are presented at both 6 and 12 months eligibility for Children's risk groups
 - General Appropriations Bill forecasts assume 6 months continuous eligibility

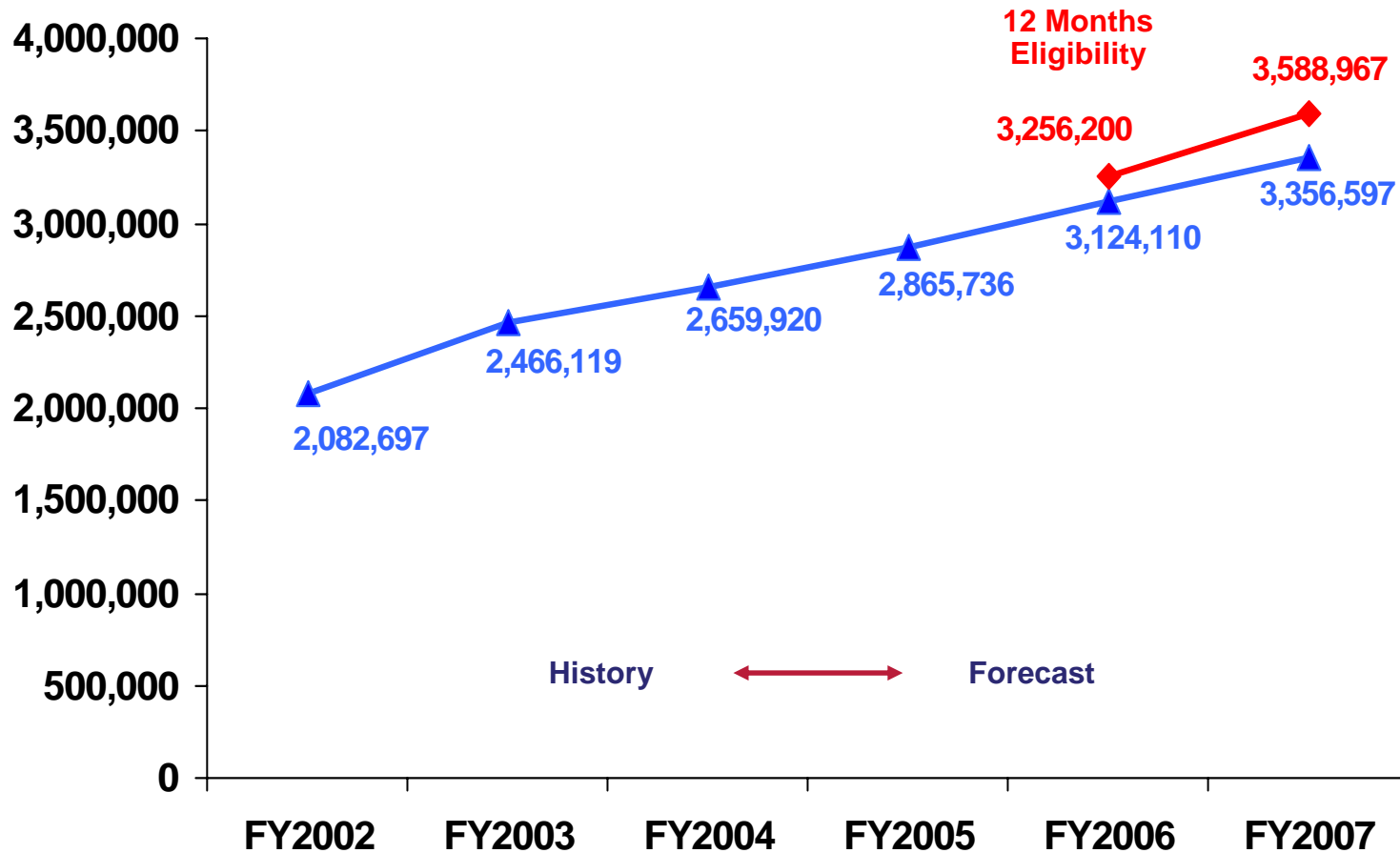
Major Caseload Projections

Medicaid Acute Care and Vendor Drug (cont.)

- **Among the specific risk groups, TANF Adults and Children are declining, while Pregnant Women, and Children are showing near or double-digit trends.**
- **Recent data has indicated increased growth among the Disabled and Blind risk group.**
 - Much of the growth in Disabled and Blind is in younger clients
- **Increases in Vendor Drug caseloads will be mitigated somewhat by the impact of the Medicare Modernization Act (MMA) .**
 - Further analysis regarding the full impact of MMA on drug caseloads and costs, particularly rebates, is being conducted.
 - Full impact to Texas and other states will not be known until FY 2006.

Major Caseload Projections

- **Medicaid Acute Care Caseload, February 2005**



Major Caseload Projections

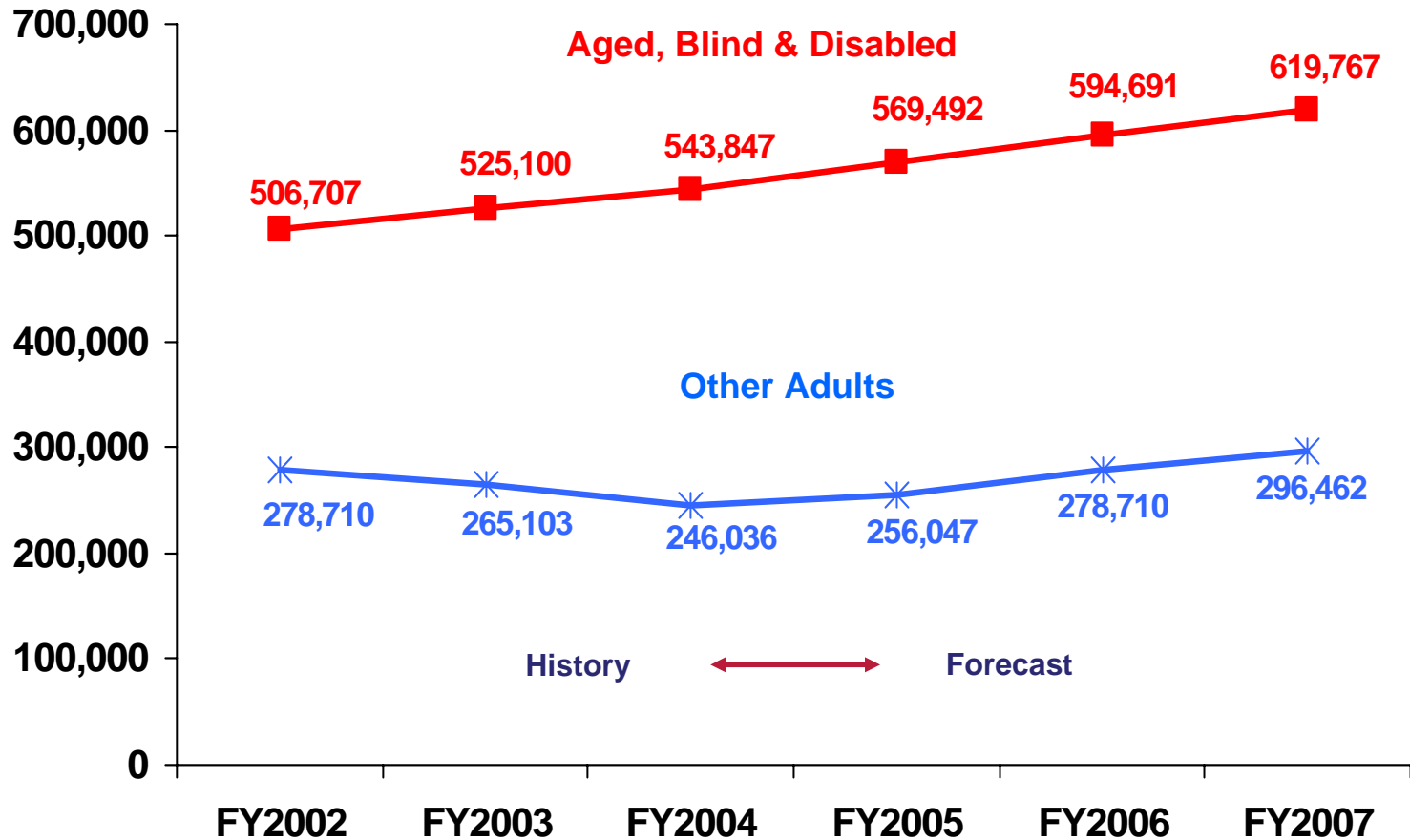
- Medicaid Children's Risk Groups, LAR Update, February 2005



Children's Risk Groups include all non-disabled children (ages 0 – 18, 19 & 20 for TANF)

Major Caseload Projections

- Medicaid Aged, Blind & Disabled and Other Adult Risk Groups, LAR Update, February 2005



Other Adults include TANF Adults, Pregnant Women, and Medically Needy

Major Caseload Projections

- **Medicaid Acute Care Caseload: General Appropriations Bill as introduced and LAR Update Forecast, February 2005**

	General Appropriations Bill (as Introduced)	LAR Update Forecast, February 2005		Difference from General Appropriations Bill (as Introduced)	
		6 Months Eligibility	12 Months Eligibility	6 Months Eligibility	12 Months Eligibility
2006	2,987,578	3,124,110	3,256,200	(136,532)	(286,622)
2007	3,137,045	3,356,597	3,588,967	(219,552)	(451,922)

The General Appropriations Bill as introduced assumes 6 months continuous eligibility for Children ages 1-18

Major Caseload Projections

- Medicaid Acute Care Costs per Recipient Month, February 2005



Rates were reduced 2.5% in FY2004, and another 2.5% for Inpatient Hospitals in FY2005. Costs are per Recipient Month, and include Managed Care, Fee for Service, and Client Service administrative costs for Medicaid Acute Care risk groups.

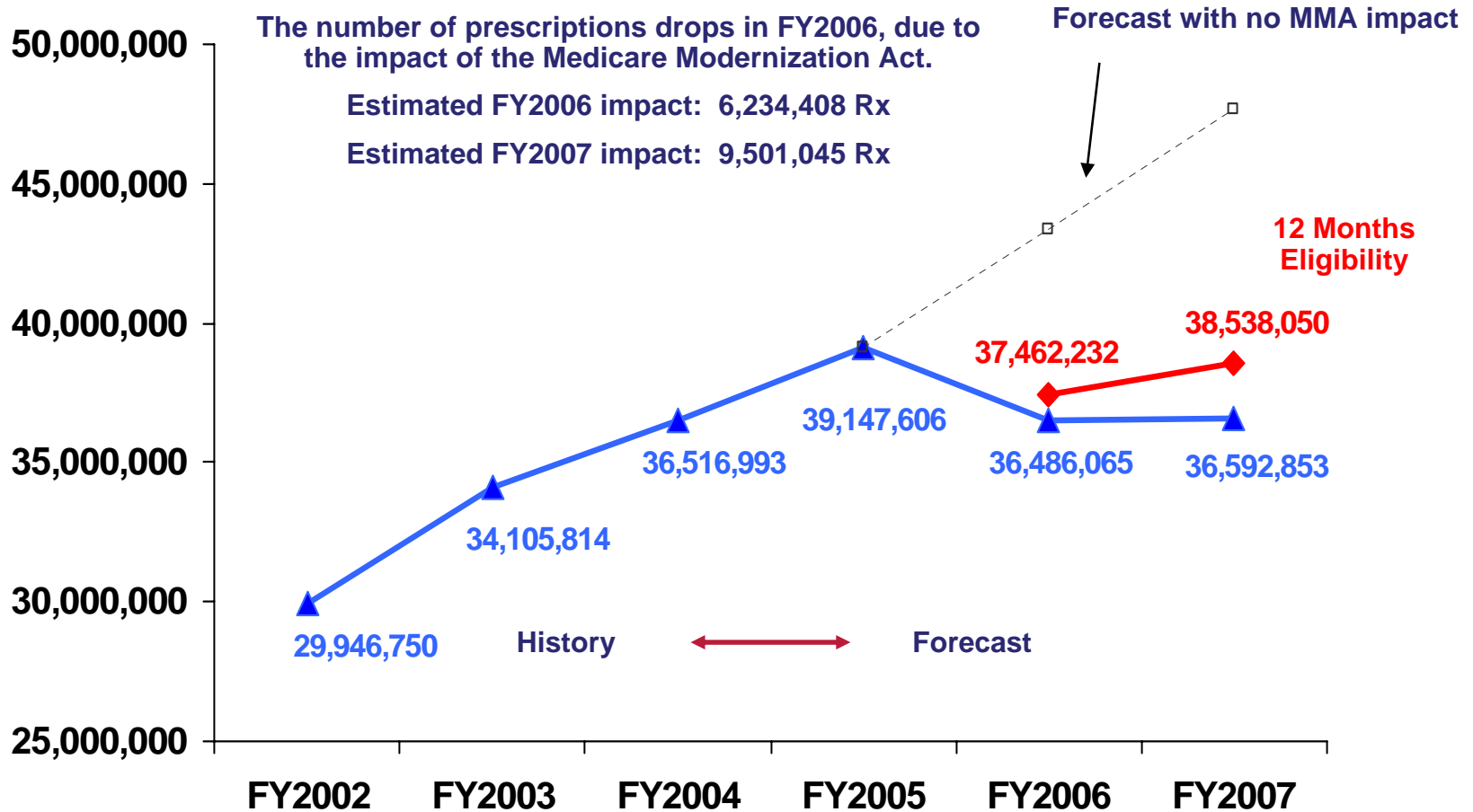
Major Caseload Projections

Medicaid Acute Care Caseload and Costs: Historical Trends and Current Forecasts

	Caseload (Recipient Months)	Caseload Trend	Cost per Recipient Month	Cost Trend
FY2002	2,082,697	12.6%	\$190.96	2.3%
FY2003	2,466,119	18.4%	\$194.41	1.8%
FY2004	2,660,139	7.9%	\$186.17	- 4.2%
FY2005	2,865,736	7.7%	\$189.37	1.7%
FY2006 (6 Months)	3,124,110	9.0%	\$196.61	3.8%
FY2007 (6 Months)	3,356,597	7.4%	\$204.78	4.2%
FY2006 (12 Months)	3,256,200	13.6%	\$192.18	1.5%
FY2007 (12 Months)	3,588,967	10.2%	\$197.77	2.9%

Major Caseload Projections

- Medicaid Vendor Drug Caseload (Prescriptions), February 2005



Major Caseload Projections

- **Medicaid Vendor Drug Caseload (Prescriptions):
General Appropriations Bill and LAR Update Forecast,
February 2005**

	General Appropriations Bill	LAR Update Forecast		Difference	
		6 Months Eligibility	12 Months Eligibility	6 Months Eligibility	12 Months Eligibility
2006	32,567,119	36,486,065	37,462,232	(3,918,946)	(4,895,113)
2007	30,172,502	36,592,853	38,538,050	(6,420,351)	(8,365,548)

Major Caseload Projections

- Medicaid Vendor Drug Caseload and Costs: Historical Trends and Current Forecasts**

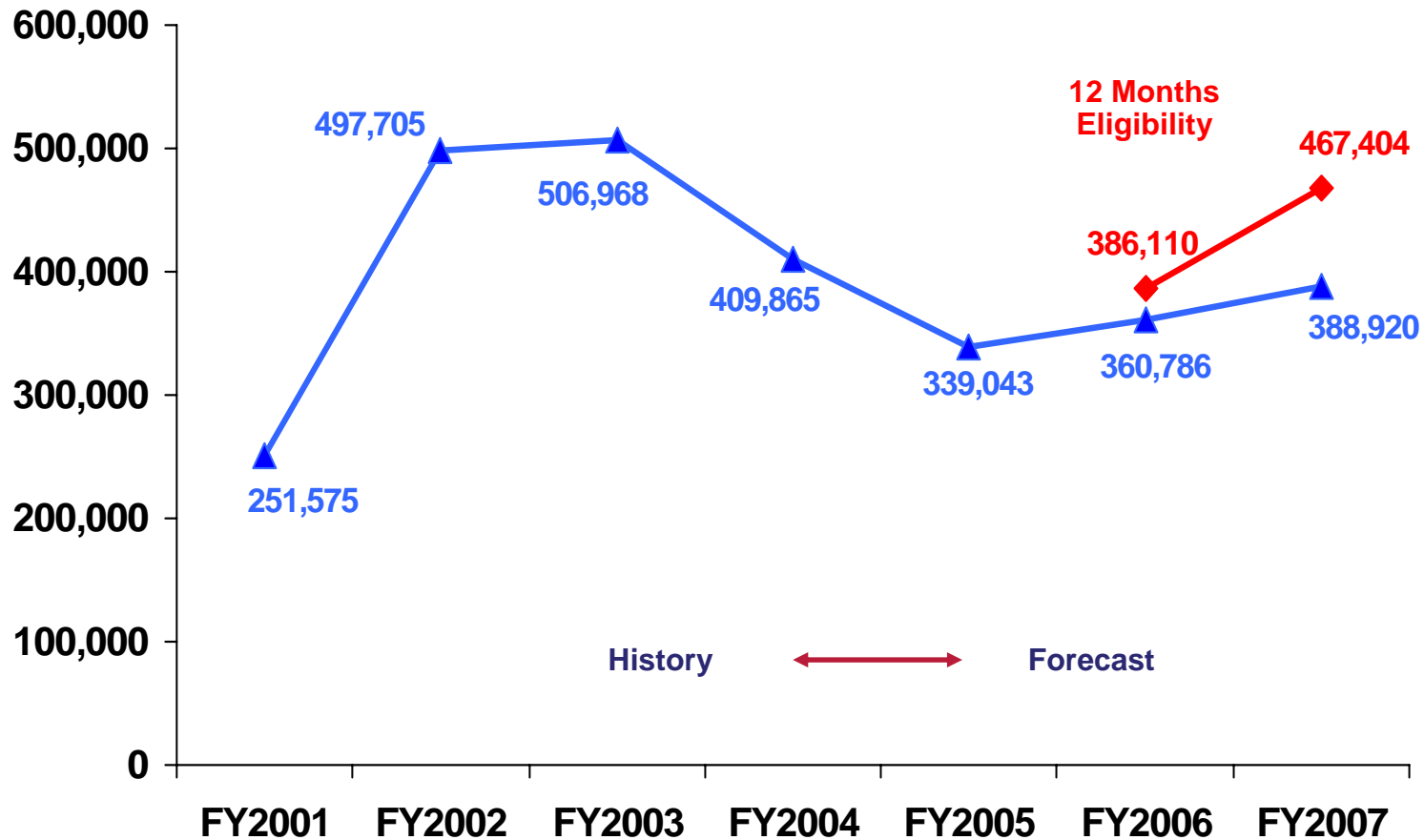
	Caseload (Prescriptions)	Rx Trend	Cost per Rx	Cost Trend
FY2002	29,946,750	8.1%	\$51.65	8.3%
FY2003	34,105,814	13.9%	\$55.77	8.0%
FY2004	36,516,993	7.1%	\$60.30	8.1%
FY2005	39,147,606	7.2%	\$65.24	8.2%
FY2006 (6 Months)	36,486,065	-6.8%	\$67.54	3.5%
FY2007 (6 Months)	36,592,853	0.3%	\$72.21	6.9%
FY2006 (12 Months)	37,462,232	-4.1%	\$67.06	2.8%
FY2007 (12 Months)	38,538,050	2.9%	\$71.12	6.1%

Children's Health Insurance Program (CHIP)

- **CHIP caseloads have been declining since September 2003, due to policies enacted during the 78th Legislative Session.**
 - Overall, CHIP caseload has declined by approximately 175,000 since September 2003
 - CHIP caseload is projected to stabilize and slowly increase, however caseloads are not projected to reach the level of FY2003
- **Caseload forecasts vary based on assumption of continuous eligibility of 6 months or 12 months, effective September 1, 2005 based on current statute**
 - FY 2006: 360,786 at 6 months eligibility / 386,110 at 12 months eligibility
 - FY 2007: 388,920 at 6 months eligibility / 467,404 at 12 months eligibility
 - Forecasts are presented at both 6 and 12 months eligibility for Children's risk groups
 - General Appropriations Bill forecasts assume 6 months continuous eligibility

Major Caseload Projections

- Children's Health Insurance Program Caseload, February 2005



Major Caseload Projections

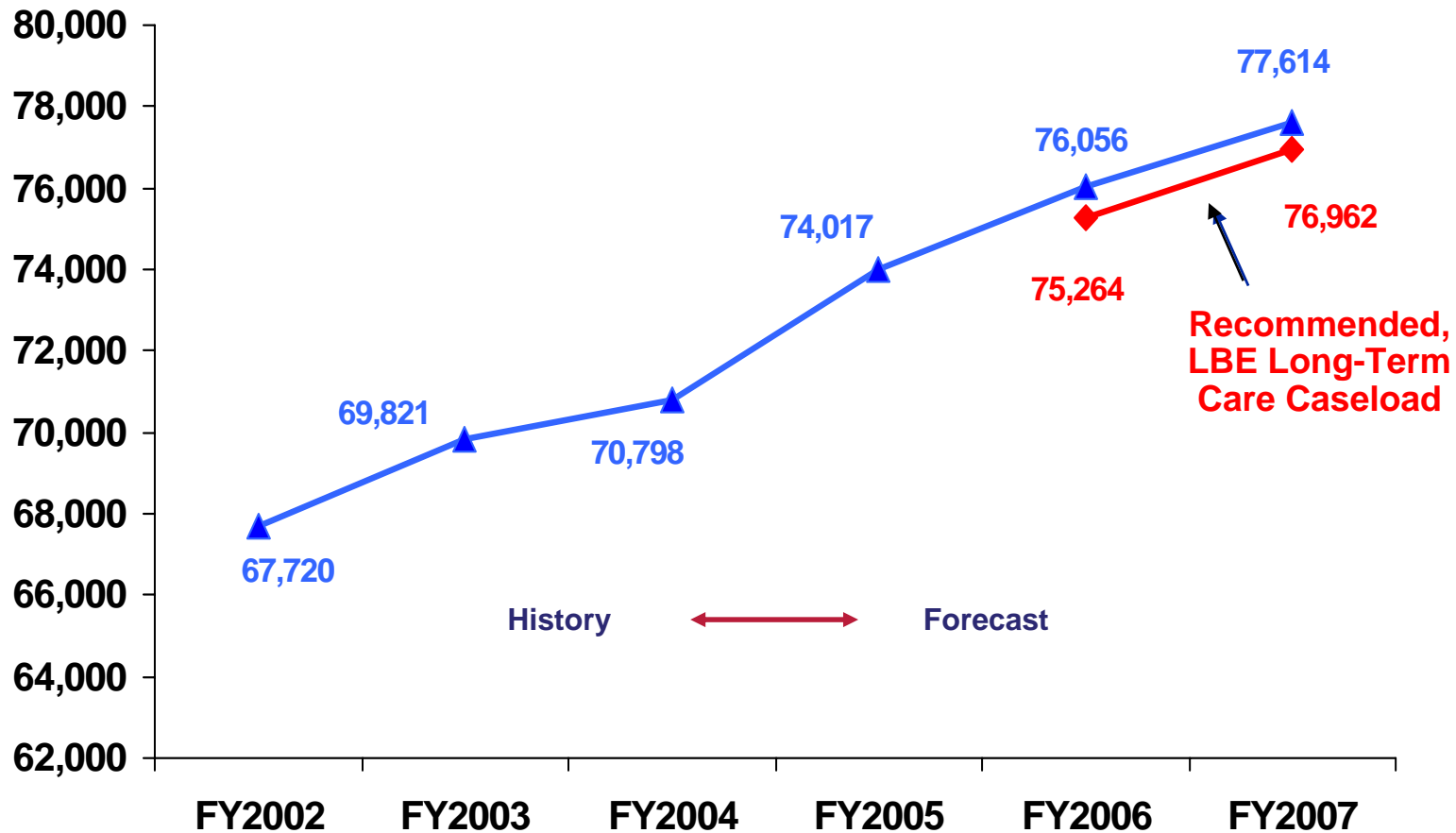
- **CHIP Caseload: General Appropriations Bill as introduced and LAR Update Forecast, February 2005**

	General Appropriations Bill	LAR Update Forecast, February 2005		Difference	
		6 Months Eligibility	12 Months Eligibility	6 Months Eligibility	12 Months Eligibility
2006	324,750	360,786	386,110	(36,036)	(61,360)
2007	331,132	388,920	467,404	(57,788)	(136,272)

Major Caseload Projections

• Medicaid Long Term Care

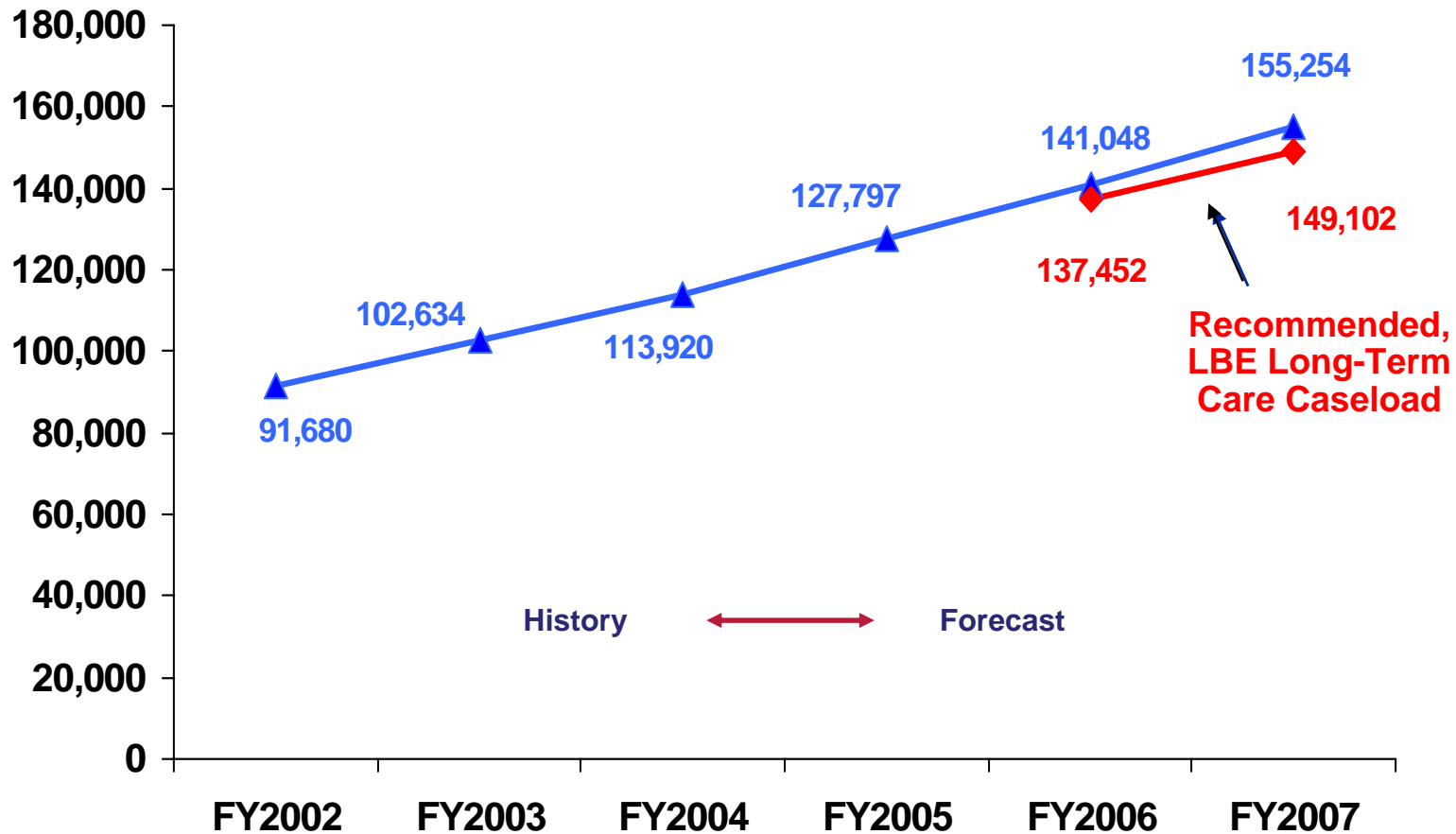
Nursing Facility Title -19, Skilled Nursing Facilities, Hospice, and Rider 28 Recipients



Major Caseload Projections

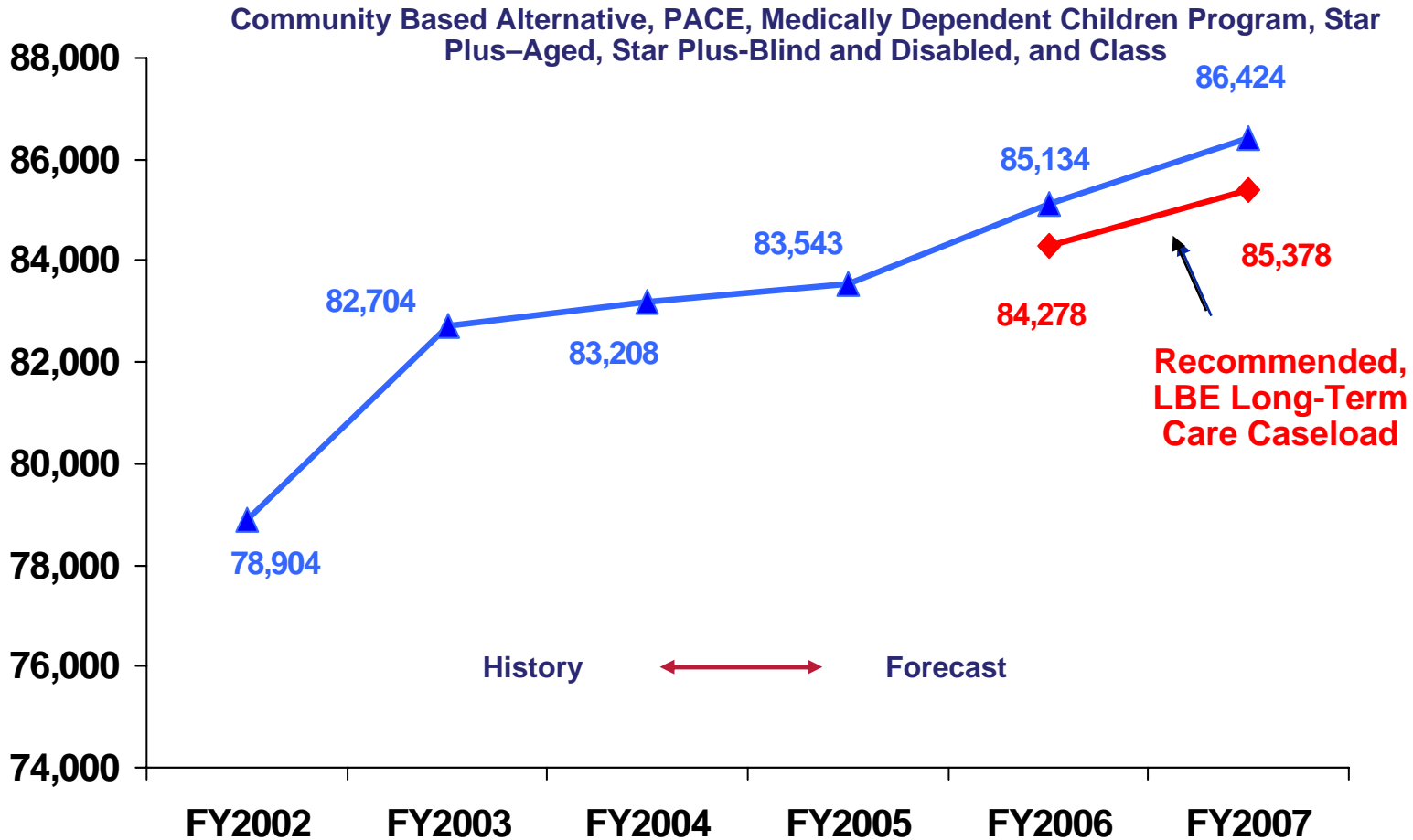
• Medicaid Community Care

Primary Home Care, Community Attendant Services, and Daily Activity Health Services-Title 19



Major Caseload Projections

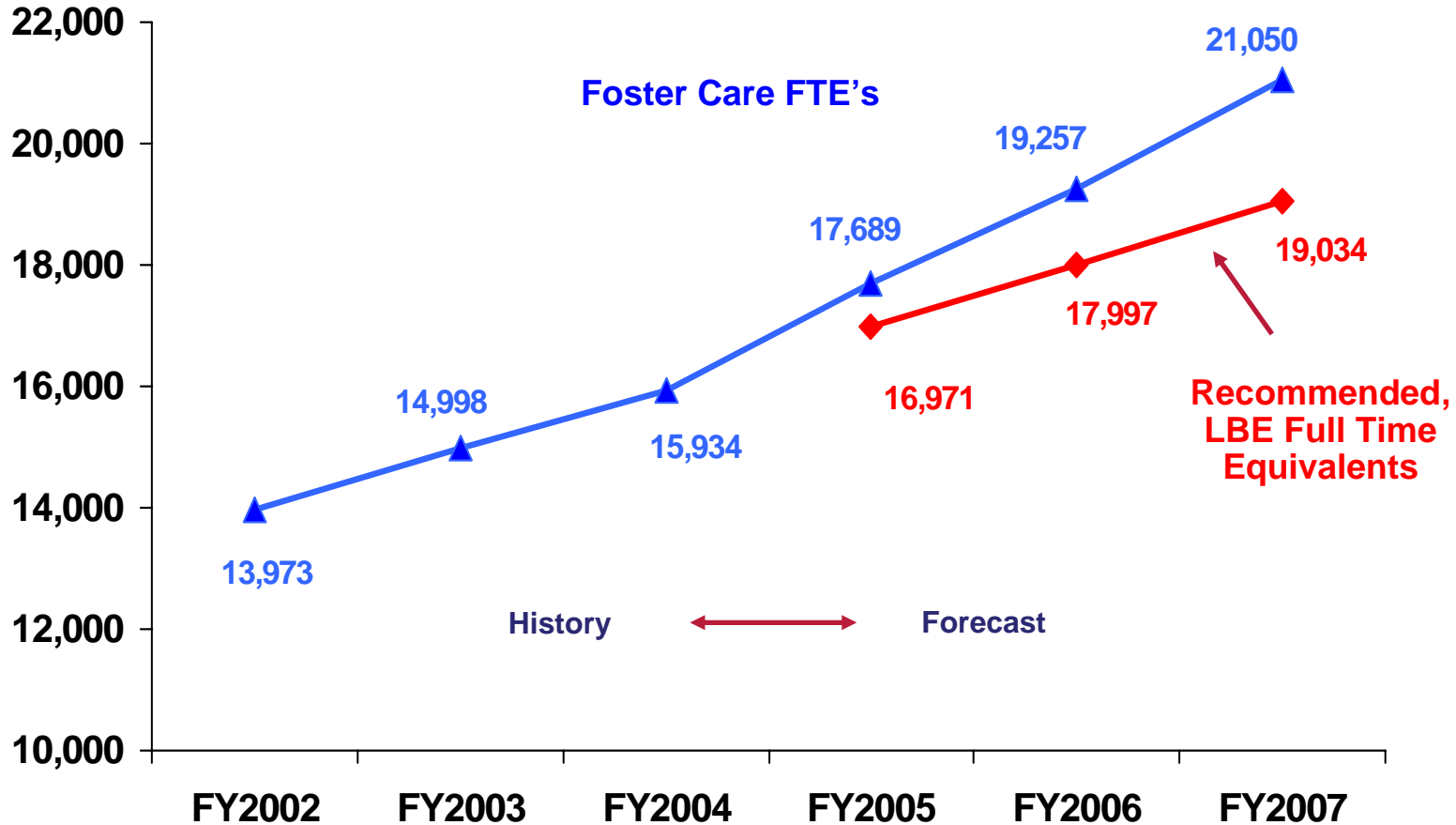
• Medicaid Waiver Programs



- The Community Based Alternative program has capped entry since FY 2004.
 - Expansion of STAR+Plus is not assumed in the above caseloads.

Major Caseload Projections

- Foster Care Full Time Equivalents: LAR Update Forecast and LBE Recommended**

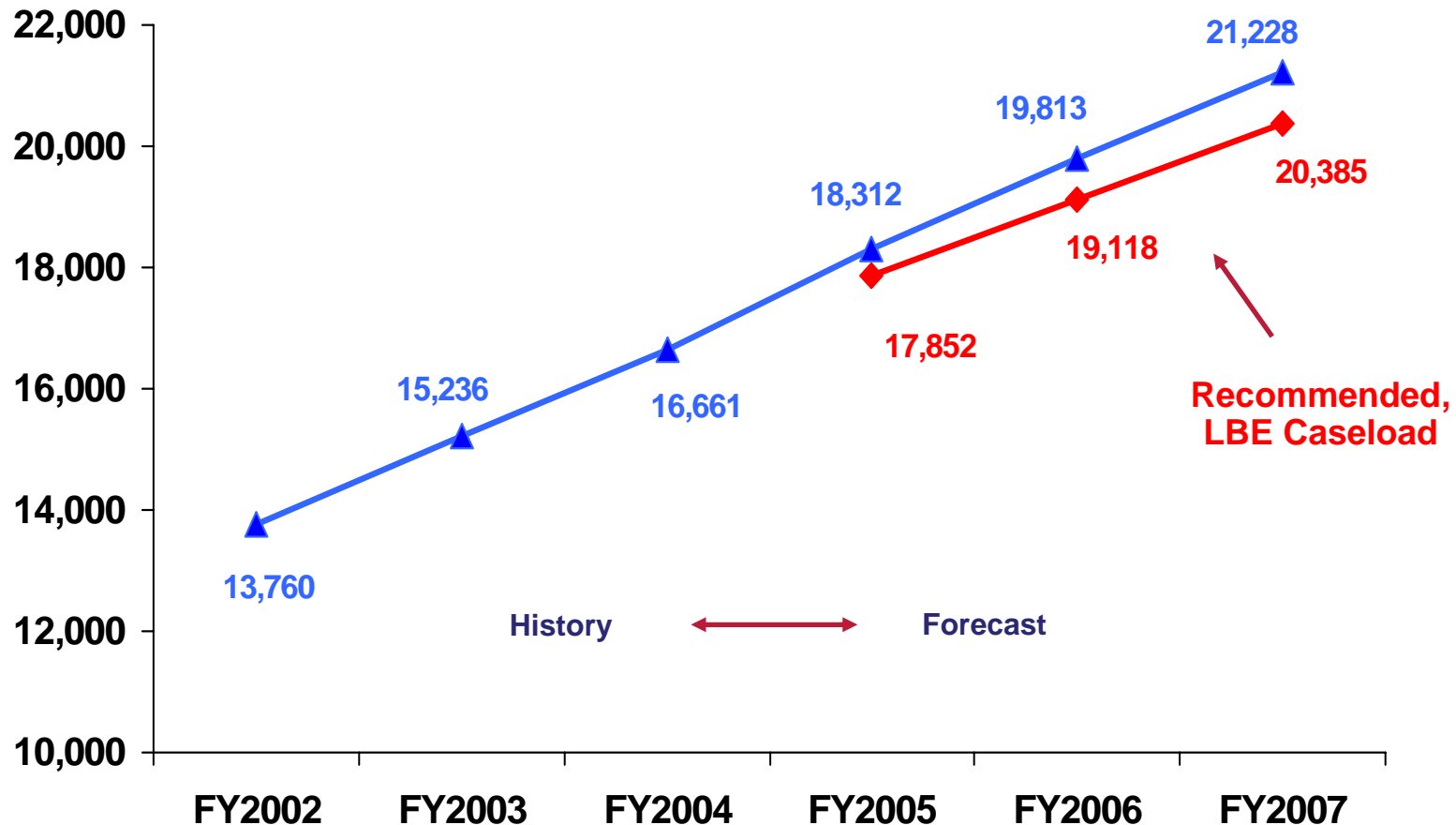


- FY 2005 actual growth when comparing the first quarter of FY05 to first quarter FY2004:**

- Increase in Number of Child Removals is 36.3%
- Increase in Average Foster Care FTE is 11.3%

Major Caseload Projections

- **Adoption Subsidies: LAR Update Forecast and LBE Recommended**



- **FY 2005 actual growth when comparing the first quarter of FY05 to first quarter FY04:**

- Increase in Number of Consummated Adoptions is 6.5%
- Increase in Average Adoption Subsidy recipients is 9.0%

Annual Enrollment Fee Proposal:

- **\$50 for families between 133-150 percent FPL**
- **\$70 for families between 151-185 percent FPL**
- **\$100 for families between 186-200 percent FPL**

Annual Enrollment Fee Proposal (cont.):

- Families beginning or re-enrolling in CHIP would be required to pay the enrollment fee in semi-annual installments (upon initial enrollment and at six months).
 - Suspend CHIP enrollment for up to three months if the family fails to make timely payment of the second installment.
 - If the family pays within the three months, CHIP enrollment resumes and the child is not subject to the 90-day waiting period.
- An annual enrollment fee will not be in effect until integrated eligibility is implemented.



Integrated Eligibility and Enrollment (IEE)

Conducted a review of current eligibility determination processes.

Identified challenges and inefficiencies in business processes surrounding current service delivery model.

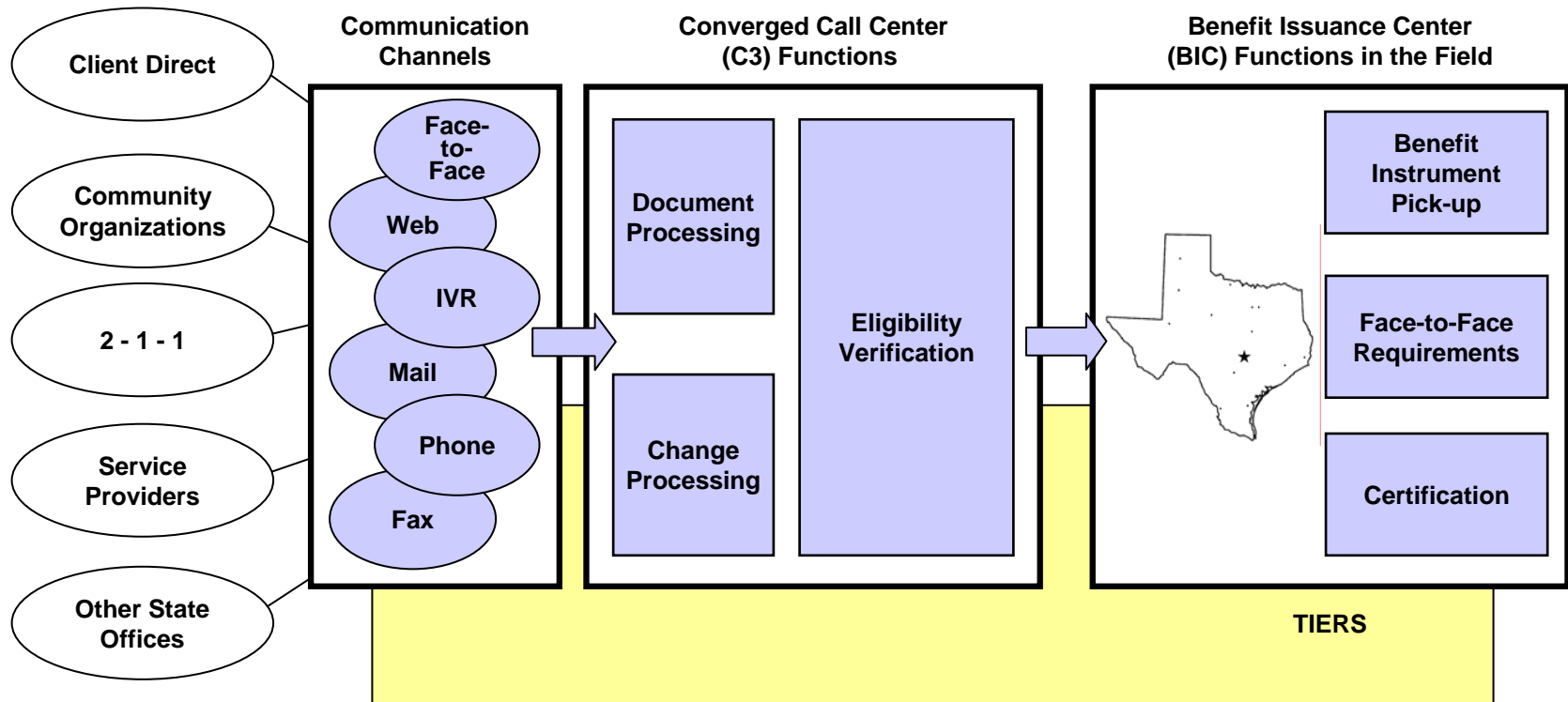
- Multiple interactions for the same transaction
- Narrow access points with limited “after hours” alternatives.
- Paper-based and labor-intensive.
- Variations exist in service delivery across regions.
 - Local office procedures dictate service delivery.

Creating a Simplified Eligibility Process for the 21st Century

- Current processes developed in the 1960s, and automated in the 1970s.
- The new system will:
 - Utilize new technologies focusing on consumer preferences of the 21st Century.
 - Expand services to new populations, such as Medicare Part D beneficiaries.
 - Texas may be required to determine eligibility for over 1 million Medicare Part D beneficiaries.

Integrated Eligibility Model

Model for Integrated Eligibility Determination

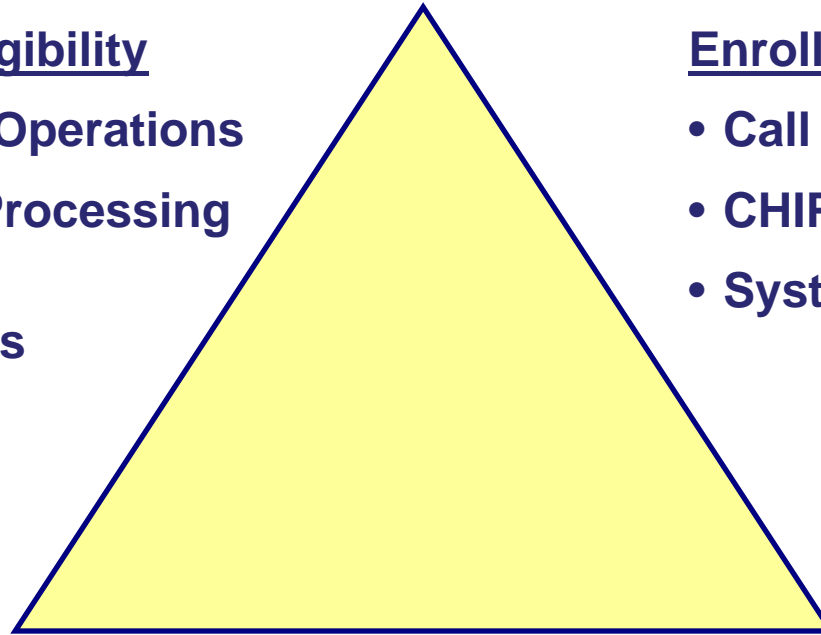


Integrated Eligibility

- Call Center Operations
- Document Processing Center
- Self-Services

Enrollment Broker

- Call Center Operations
- CHIP Enrollment
- System Solution



TIERS

- Eligibility Determination (including CHIP)
- End User Support
- TIERS Training



Managed Care Expansion

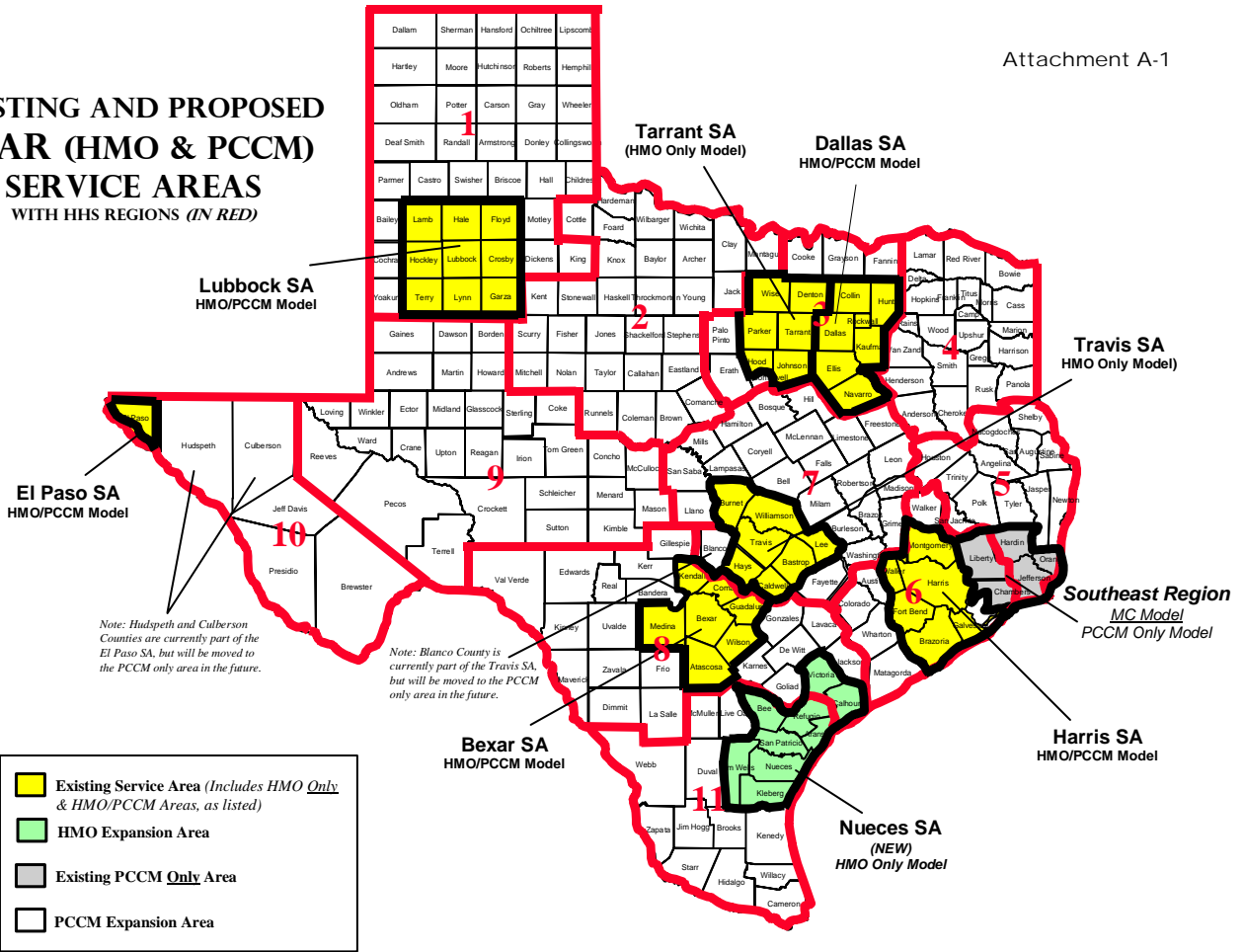
Background

- H.B. 2292 requires HHSC to provide Medicaid acute care services through the most cost-effective model(s) of managed care. HHSC is directed to conduct a study to determine which managed care model(s) are most cost effective for HHSC's Medicaid program.
- HHSC obtained an independent analysis of the cost-effectiveness and feasibility of expanding Medicaid managed care, both STAR and STAR+PLUS. The analysis found that Texas could realize significant savings by expanding managed care coverage.

Current Status

- The initial evaluation of proposals has been completed.
- Initial selection of HMOs for final negotiation will occur the week of February 7, 2005.
 - The operational start date for the managed care expansion is no earlier than September 1, 2005.

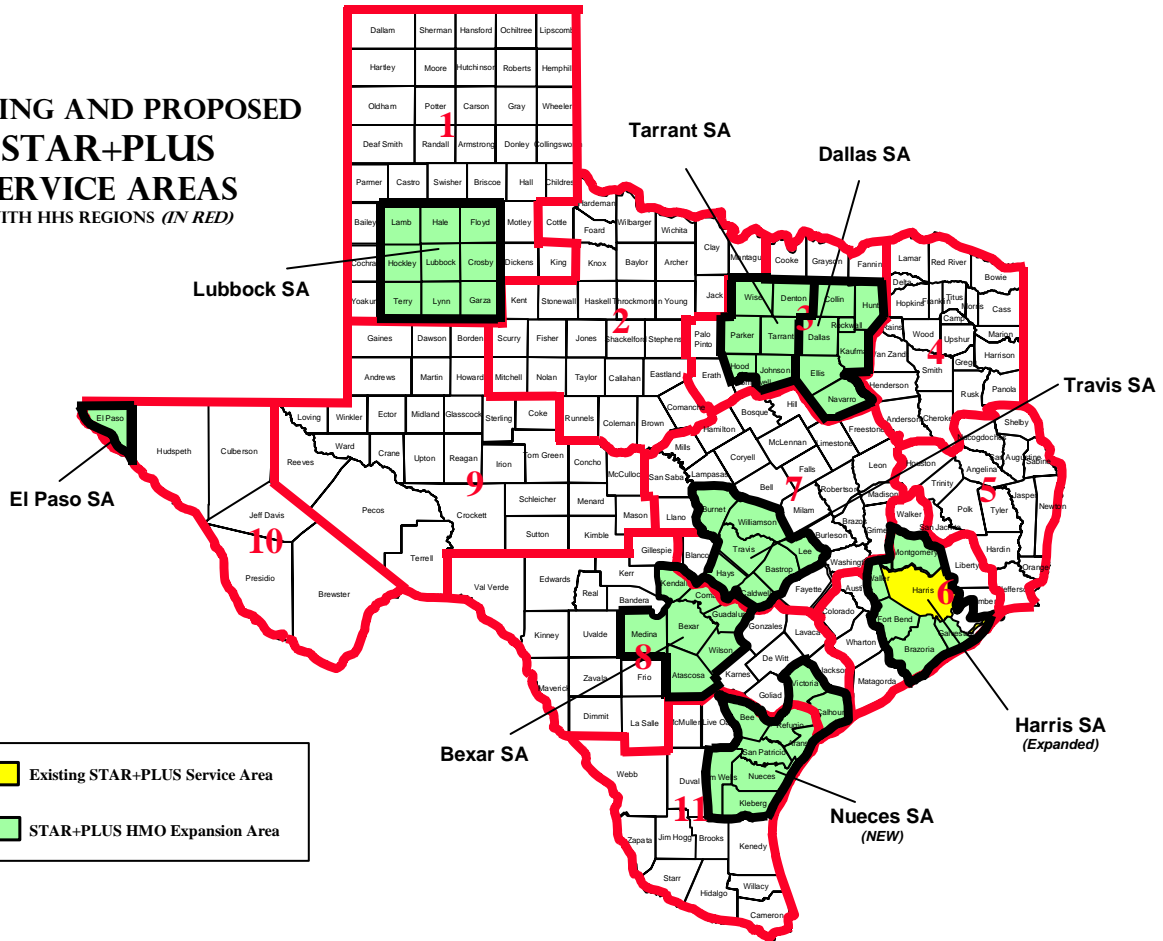
EXISTING AND PROPOSED STAR (HMO & PCCM) SERVICE AREAS WITH HHS REGIONS (IN RED)



HHSC, Medicaid/CHIP, Health Plan Operations
June 2004

STAR HMO Service Areas							
Bexar	Bexar Atascosa Comal Guadalupe Kendall Medina Wilson	Dallas	Dallas Collin Ellis Hunt Kaufman Navarro Rockwall	El Paso	El Paso	Travis	Travis Bastrop Burnet Caldwell Hays Lee Williamson
Harris	Harris Brazoria Fort Bend Galveston Montgomery Waller	Lubbock	Lubbock Crosby Floyd Garza Hale Hockley Lamb Lynn Terry	Tarrant	Tarrant Denton Hood Johnson Parker Wise	New STAR Service Area	
						Nueces	Aransas Bee Calhoun Jim Wells Kleberg Nueces Refugio San Patricio Victoria
						Existing PCCM Only Serv. Area	
						Southeast Region	Chambers Hardin Jefferson Liberty Orange

EXISTING AND PROPOSED STAR+PLUS SERVICE AREAS WITH HHS REGIONS (IN RED)



BHSC, Medicaid/CHIP, Health Plan Operations
June 2004

STAR+PLUS HMO Service Areas							
Bexar	Bexar	Dallas	Dallas	Travis	Travis	El Paso	El Paso
	Atascosa		Collin		Bastrop		
	Comal		Collin		Burnet		
	Guadalupe		Ellis		Caldwell		
	Kendall		Hunt		Hays		
Medina	Kaufman	Lee					
Wilson	Rockwall	Williamson					
Harris	Harris	Lubbock	Lubbock	Tarrant	Tarrant	Nueces	Aransas
	Brazoria		Crosby		Denton		Bee
	Fort Bend		Floyd		Hood		Calhoun
	Galveston		Garza		Johnson		Jim Wells
	Montgomery		Hale		Parker		Kleberg
	Waller		Hockley		Wise		Nueces
	Lamb				Refugio		
	Lynn		San Patricio				
	Terry		Victoria				



State School and Hospital Closure Study

Rider 55 Feasibility Study

- **HHSC rider 55 required a study of the feasibility of closing and consolidating state mental health hospitals and state schools for the developmentally disabled.**
- **Rider 55 directs HHSC to take into account information from clients, families, service providers and other interested parties when developing recommendations on closure/consolidation.**

- **The rider specified the following criteria for identifying facilities for closure:**
 - Proximity to other facilities and geographical distribution of remaining facilities;
 - Administrative cost of the facility;
 - Availability of other employment opportunities in the area for employees displaced by the closure;
 - Condition of existing facilities;
 - Marketability of the facility property when considering possible sale of the property or alternate use possibilities;
 - Ease of client transfer capability;
 - Capacity at remaining facilities to accommodate persons transferred from facility identified for closure; and
 - Identification of specialty programs and services.
-



Child Protective Services Reform

Executive Order RP 35 was issued on July 2, 2004 requiring HHSC to perform a statewide investigation into the practices and procedures of Child Protective Services

- The HHSC's evaluation found serious deficiencies that hinder the fulfillment of CPS' mandate to protect children.
- These deficiencies have prevented staff from focusing on a clear mission and goals and there has been inadequate accountability to ensure the quality of casework needed to keep children safe.
- CPS requires significant change in nearly all aspects of program operations.

CPS Reform Components include:

- Strengthen Investigations
 - Office of Investigations
 - 72 hour response time on Priority 2
 - Screeners to reduce investigations assigned
 - Co-location with community partners
- Support Quality Casework
 - Reduce caseloads
 - Monthly - 74 in FY05 to 45 in FY 07
 - Daily - 44 in FY05 to 33 in FY07
 - Deploy Mobile Technology
 - Expand and improve training
 - Salary increases for direct delivery staff

CPS Reform Components include:

- Improve Services to Families and Children
 - Medical home
 - Medical and educational passports
 - Contract with community-based agencies to provide substitute care, family reunification, adoption and preparation for adult living services.
 - Independent administrator
 - Performance based contracts
 - Expand kinship care initiative statewide
- Rebuild CPS management structure
 - Real time quality measures
 - Nine regions structure
 - Same day documentation
- Prevent Maltreatment
 - Evidence based prevention programs
 - Support services through age 21
- Address Related Caseload Growth

OLD SYSTEM

Inefficient; all functions concentrated on a single caseworker

Integrated Caseworker

- Investigations
 - Child safety intervention
- Documentation
- Working With Supervisor
 - Gathering Evidence
 - Case-related travel
- Reviewing Case Histories
- Making Initial Collateral Contacts
- Transporting Children to Visits
- Paperwork to Initiate Services
 - Notification Letters
- Supervising Parent-Child Visits

NEW SYSTEM

Distributed; all functions performed by most appropriate staff

Dedicated Investigative Caseworker

- Investigations
 - Child safety intervention
- Documentation
- Working With Supervisor
 - Gathering Evidence
 - Case-related travel

Case Screeners

- Review Case Histories
 - Make Initial Collateral Contacts

Senior Investigators

- Investigations
 - Gathering Evidence

Case Aides

- Transporting Children to Visits
- Supervising Parent-Child Visits

Clerical Staff

- Paperwork to Initiate Services
 - Notification Letters

	Old System	New System
Investigators	1305	1723
Senior Investigators	0	430
Investigation Screeners	6	47
Case Aides	118	430
Clerical Staff	213	454
Caseloads (Monthly/Daily)	74/44	45/33

CPS Reform Staffing and Caseload

	Old System	Annual Salary Cost	New System	Annual Salary Cost
Investigators	1,305	\$37,740,600	1,723	\$49,829,200
Senior Investigators	0	0	430	\$14,184,800
Investigation Screeners	6	\$210,600	47	\$1,649,700
Case Aides	118	\$2,763,600	430	\$10,070,600
Clerical Staff	213	\$4,795,100	454	\$10,220,500
Caseloads (Monthly/Daily)	74/44		45/33	



Adult Protective Services Reform

- **Executive Order RP 33 was issued on April 14, 2004 requiring HHSC to perform a statewide investigation of Adult Protective Services.**
- **Specific actions and outcomes required include:**
 - Systemic reform;
 - Administrative and organizational reform;
 - Review of case files;
 - Increased use of technology;
 - Partnering with local communities and law enforcement;
 - Review of state policy and state statutes; and
 - Report of compliance.

•The APS Reform Includes:

- Develop and deploy a new Risk Assessment Tool;
- Expand the capacity for local Guardianship Programs;
- Transfer of Guardianship duties to DADS;
- Provide direct access to medical and forensic consultation;
- Expand training, deploy technology to improve investigations;
- Provide additional staff to address workload and increase efficiency;
- Enhance program infrastructure to improve quality of service.



Exceptional Items for HHS Agencies

Exceptional Items Summary

- The following tables identify agency Exceptional Items above the introduced appropriations bill. These are modified from the original LAR submission to clearly indicate remaining Exceptional Item needs at HHS agencies. In addition, to the extent possible, February 1, 2005 caseload forecasts are used in the revised exceptional items.

Article II Summary of Exceptional Item Requests								
	FY 2006		FY 2007		BIENNIAL TOTAL		FY 06	FY 07
	GR	All Funds	GR	All Funds	GR	All Funds	FTEs	FTEs
LBB Recommended Art. II	\$ 8,552,994,716	\$ 22,770,915,292	\$ 8,773,245,043	\$23,039,168,086	\$ 17,326,239,759	\$ 45,810,083,378	44840.1	41720.1
Health and Human Services Commission (HHSC)	\$ 1,020,008,993	\$ 2,576,243,619	\$ 1,983,813,226	\$ 5,019,764,812	\$ 3,003,822,219	\$ 7,596,008,431	597.1	730.7
Department of Aging and Disability Services (DADS)	\$ 490,134,324	\$ 1,218,331,214	\$ 560,820,060	\$ 1,423,589,321	\$ 1,050,954,384	\$ 2,641,920,535	547.8	647.2
Department of State Health Services (DSHS)	\$ 71,881,348	\$ 87,106,078	\$ 61,249,640	\$ 103,055,602	\$ 133,130,988	\$ 190,161,680	248.5	248.5
Department of Family and Protective Services (DFPS)	\$ 142,876,391	\$ 199,497,769	\$ 204,558,588	\$ 281,126,158	\$ 347,434,979	\$ 480,623,927	1591.3	1899.3
Department of Assistive and Rehabilitative Services (DARS)	\$ 2,537,877	\$ 8,663,401	\$ 4,147,736	\$ 16,221,367	\$ 6,685,613	\$ 24,884,768	0	0
Total Exceptional Items	\$ 1,727,438,933	\$ 4,089,842,081	\$ 2,814,589,250	\$ 6,843,757,260	\$ 4,542,028,183	\$ 10,933,599,341	2984.7	3525.7
Grand Total LBB Recommended Plus Exceptional Items	\$ 10,280,433,649	\$ 26,860,757,373	\$ 11,587,834,293	\$29,882,925,346	\$ 21,868,267,942	\$ 56,743,682,719	47824.8	45245.8

**Texas Department of Family and Protective Services
Summary Table of Revised Exceptional Item Requests for FY 2006-2007**

EXCEPTIONAL ITEM	FY 2006		FY 2007		BIENNIAL TOTAL		FY 06	FY 07
	GR/GRD	All Funds	GR/GRD	All Funds	GR/GRD	All Funds	FTEs	FTEs
LBB Recommended	\$ 285,141,412	\$ 879,208,182	\$ 295,280,325	\$ 901,059,716	\$ 580,421,737	\$ 1,780,267,898	6,891.9	6,922.9
Revised Exceptional Items:								
1. Fund Foster Care/Adoption Subsidies Caseload Growth	9,866,421	26,422,649	18,072,706	40,711,685	27,939,127	67,134,334	-	-
<i>a. Foster Care Caseload Growth</i>	6,946,961	22,644,145	14,335,828	36,246,386	21,282,789	58,890,531		
<i>b. Adoption Subsidies Caseload Growth</i>	2,919,460	3,778,504	3,736,878	4,465,299	6,656,338	8,243,803		
2. Maintain Critical Accountability and Oversight	2,628,343	3,407,313	2,386,928	3,585,971	5,015,271	6,993,284	32.4	32.4
3. Fund CPS Reform	97,684,664	127,777,342	155,410,249	199,390,496	253,094,913	327,167,838	1,524.0	1,828.0
<i>a. Strengthen Investigations</i>	10,498,306	13,652,252	21,834,951	28,718,471	32,333,257	42,370,723	424.0	799.0
<i>b. Support Quality Casework</i>	41,452,972	54,533,107	67,264,653	87,414,081	108,717,625	141,947,188	817.0	1,529.0
<i>c. Improve Services to Families and Children</i>	26,789,345	32,989,475	32,127,577	39,803,853	58,916,922	72,793,328	63.0	(814.0)
<i>d. Build Community Partnerships</i>	369,285	500,000	369,285	500,000	738,570	1,000,000	-	-
<i>e. Improve Management and Accountability</i>	7,194,090	9,717,951	8,777,900	11,703,166	15,971,990	21,421,117	183.0	259.0
<i>f. Prevent Maltreatment</i>	5,690,266	8,100,194	16,970,364	19,380,292	22,660,630	27,480,486	-	-
<i>g. Address Related Caseload Growth</i>	5,690,400	8,284,363	8,065,519	11,870,633	13,755,919	20,154,996	37.0	55.0
4. Increase Foster Care Rates	12,633,546	19,809,789	13,656,852	21,401,258	26,290,398	41,211,047	-	-
5. Maintain Services to At Risk Youth	4,077,780	4,077,780	4,077,779	4,077,779	8,155,559	8,155,559	-	-
6. Maintain APS MH/MR Current Caseload per Worker	427,766	427,766	548,835	548,835	976,601	976,601	10.0	14.0
7. Increase Monitoring of Licensed Facilities (CCL Only)	87,266	895,426	53,193	812,533	140,459	1,707,959	20.0	20.0
8. Fund Statewide Intake Technology Needs	1,243,183	1,259,388	172,723	182,615	1,415,906	1,442,003	-	-
9. Restore Prevention Services to FY 03 Level	9,306,525	9,313,992	9,322,130	9,326,556	18,628,655	18,640,548	4.9	4.9
<i>a. Restore Services to At-Risk Youth Program</i>	3,537,830	3,539,428	3,538,473	3,539,428	7,076,303	7,078,856	1.0	1.0
<i>b. Restore Community Youth Development Program</i>	1,345,894	1,345,894	1,345,894	1,345,894	2,691,788	2,691,788	-	-
<i>c. Re-establish At-Risk Mentoring Program</i>	1,348,836	1,350,713	1,349,629	1,350,713	2,698,465	2,701,426	1.4	1.4
<i>d. Re-establish Healthy Families Program</i>	2,698,365	2,702,357	2,712,534	2,714,921	5,410,899	5,417,278	2.5	2.5
<i>e. Re-establish Parents As Teachers Program</i>	375,600	375,600	375,600	375,600	751,200	751,200	-	-
10. Fund Technology Upgrades/Improvements	3,485,644	3,939,424	788,430	788,430	4,274,074	4,727,854	-	-
11. Fund IMPACT Enhancements	1,435,253	2,166,900	68,763	300,000	1,504,016	2,466,900	-	-
Total Exceptional Items	\$ 142,876,391	\$ 199,497,769	\$ 204,558,588	\$ 281,126,158	\$ 347,434,979	\$ 480,623,927	1,591.3	1,899.3
Grand Total LBB Recommended plus Exceptional Items	\$ 428,017,803	\$ 1,078,705,951	\$ 499,838,913	\$ 1,182,185,874	\$ 927,856,716	\$ 2,260,891,825	8,483.2	8,822.2

Item #1: Foster Care/Adoption Subsidies Caseload Growth

- Funds requested for the difference in HHSC's forecasted caseloads and the caseloads contained in the LBB recommended budget. The cost is calculated based on the current FY 2005 rates.

Item #2: Maintain Critical Accountability and Oversight

- The LBB recommended budget reduces the agency's administrative infrastructure for staff and the agency-wide automated systems cost. It is critical that these reductions be restored so that the agency can successfully implement the reforms called for by Executive Orders RP 33 and RP 35. These FTEs and dollars provide the financial, technological, operational, and executive support and oversight for all programs.

Item #3: Fund CPS Reform

- Under Executive Order RP 35, HHSC was directed to review and reform the CPS program. Funds requested would address recommendations to strengthen investigations, support quality casework, improve services to families and children, build community partnerships, improve management and accountability, and prevent maltreatment, as well as funding for related caseload growth in the foster care program .

Item #4: Increase Foster Care Rates

- Funds requested to restore rate reduction to the average daily rate paid in FY 2003 and for a 3.36% rate adjustment is based on the April 2004 forecasted Personal Consumption Expenditure (PCE) inflator. The total increase to the average daily rate for foster care associated with this exceptional item is 5.35%.

Item #5: Maintain Services to At Risk Youth

- Funding requested to restore the remaining reduction to the prevention program so that current service levels can be maintained. Maintaining existing service levels is critical for the agency to maintain a continuum of services designed to protect children, strengthen families, and support the partnerships DFPS has with local communities.

Item #6: Maintain APS MH/MR Current Caseload per Worker

- This initiative seeks additional funding for increased staff to handle the increase in projected number of investigations over the next biennium. The projected FY2005 average MH/MR caseload per worker of 10 would be maintained.

Item #7: Increase Monitoring of Licensed Facilities (CCL Only)

- In order to ensure that children in day care settings are properly protected, this exceptional item requests funding for an additional 20 Child Care Licensing staff to increase the monitoring, training, and technical assistance activity for licensed centers, and to ensure the necessary staffing level needed to address investigations.

Item #8: Fund Statewide Intake Technology Needs

- This item requests funds to replace the Automated Call Distributor (ACD) switch that routes calls to the appropriate queues and helps reduce hold times by balancing across agents. The current switch is eleven years old.

Item #9: Restore Prevention Services to FY2003 Level

- Funds would restore reductions to the Services to At-Risk Youth (STAR) and Community Youth Development (CYD) programs that resulted from the 78th Legislature, to their FY 2003 funding level. This initiative would also re-establish the At-Risk Mentoring, Healthy Families, and Parents as Teachers programs at their FY 2003 funding level. At-Risk Mentoring, Healthy Families, and Parents as Teachers programs were eliminated beginning in FY 2004.

Item #10: Fund Technology Upgrades/Improvements

- The DFPS technical environment is needed for the computers, phones, and other office equipment tools to work properly. It is crucial to the business operations and therefore the service delivery provided by the agency. Much of the hardware is over eight years old and is reaching the end of its useful life.

Item #11: Fund IMPACT Enhancements

- Enhancements to the Information Management Protecting Adults and Children in Texas (IMPACT) system (browser-based version of the CPS and APS automated casework application) are required to ensure continued effective service delivery.

Texas Department of State Health Services
Summary Table of Revised Exceptional Item Requests for FY 2006-2007

EXCEPTIONAL ITEM	FY 2006		FY 2007		BIENNIAL TOTAL		FY 06 FTEs	FY 07 FTEs
	GR	All Funds	GR	All Funds	GR	All Funds		
LBB Recommended	\$ 1,047,947,090	\$ 2,302,106,818	\$ 1,048,021,135	\$ 2,276,506,274	\$ 2,095,968,225	\$ 4,578,613,092	11,212.0	11,212.0
Exceptional Items:								
1. Maintain Service Levels	\$ 19,008,673	\$ 21,248,160	\$ 18,697,716	\$ 20,581,737	\$ 37,706,389	\$ 41,829,897	77.5	77.5
2. One-Time Funding Restoration - Land Sales	2,892,344	2,892,344	2,892,344	2,892,344	5,784,688	5,784,688	100.5	100.5
3. Texas HIV Medication Program (THMP)	6,715,443	6,715,443	8,311,862	8,311,862	15,027,305	15,027,305	-	-
4. Childhood Vaccines	4,412,140	4,412,140	4,625,535	4,625,535	9,037,675	9,037,675	-	-
5. Restore GR for Substance Abuse	3,435,103	3,435,103	3,435,103	3,435,103	6,870,206	6,870,206	-	-
6. Texas Cancer Registry Certification	1,200,000	1,200,000	1,000,000	1,000,000	2,200,000	2,200,000	1.0	1.0
7. Regulatory Automation System	2,700,000	2,700,000	-	-	2,700,000	2,700,000	-	-
8. Laboratory Information System	452,500	905,000	593,960	1,187,920	1,046,460	2,092,920	-	-
9. Sexually Violent Predator Caseload	387,000	387,000	500,000	500,000	887,000	887,000	-	-
10 State Mental Hospital System	1,657,732	1,657,732	1,657,732	1,657,732	3,315,464	3,315,464	60.5	60.5
11 Technology and Equipment for Critical Agency	14,187,400	14,187,400	11,817,883	11,817,883	26,005,283	26,005,283	-	-
12 Repair/Renovation MH Facilities	0	12,467,205	0	37,401,615	0	49,868,820	-	-
13 Technical Staffing - Radiation	300,663	300,663	300,663	300,663	601,326	601,326	-	-
14 Increase Compensation for RNs and LVNs	5,228,622	5,228,622	5,228,622	5,228,622	10,457,244	10,457,244	-	-
15 TCID Construction Project	6,086,582	6,086,582	0	0	6,086,582	6,086,582	-	-
16 Newborn Screening	3,217,146	3,282,684	2,188,220	4,114,586	5,405,366	7,397,270	9.0	9.0
Total Exceptional Items	\$ 71,881,348	\$ 87,106,078	\$ 61,249,640	\$ 103,055,602	\$ 133,130,988	\$ 190,161,680	248.5	248.5
Grand Total LBB Recommended Plus Exceptional Items	\$ 1,119,828,438	\$ 2,389,212,896	\$ 1,109,270,775	\$ 2,379,561,876	\$ 2,229,099,213	\$ 4,768,774,772	11,460.5	11,460.5

Item #1: Maintain Service Levels

- Funding this exceptional item will ensure continued public health services to promote safe communities, environments and schools; provide funding at current levels for direct care service delivery through DSHS staff and grants to local communities; ensure the public health functions continue in counties in which there is no local public health department; protect public health through regulatory services, such as timely inspection and licensure, for which fees are collected; and provide for the underlying structure necessary to delivery of services, e.g. communication and inclusion of stakeholders, provider payment, collection of fees, federal funds reporting, and technology support.

Item #2: One-Time Funding Restoration – Land Sales

- During the 78th Legislative Session, appropriations from the sale of land offset part of the General Revenue reduction for the 2004-05 biennium. It is necessary to restore this one-time funding source to maintain current service levels at the DSHS mental health facilities, the South Texas Health Care Center and the Radiation Control program.

Item #3: Texas HIV Medication Program (THMP)

- Due to the effectiveness of multi-drug antiretroviral therapy, THMP clients are living longer and more productive lives. Based on the trend of increased multi-drug therapy and a continuing rise in drug costs, a shortfall is projected for the 2006-07 biennium. Funding this request will ensure continued early access to medications for HIV positive individuals. Early access to medications not only prolongs lives, but also reduces susceptibility to life threatening infections and costly hospitalization.

Item #4: Childhood Vaccines

- Funding this exceptional item will increase the availability of the Hepatitis A and Pneumococcal Conjugate (PCV-7) vaccines for children across the state. PCV-7 reduces the risk of invasive pneumococcal disease, which causes pneumonia and infections of the blood, brain, spinal cord and ears. Additionally, this funding would increase the availability of Hepatitis A vaccine for children ages 2 through 18 years of age statewide. Currently only children residing in certain high incidence counties are provided the Hepatitis A vaccine.

Item #5: Restore GR for Substance Abuse

- Funding will restore substance abuse prevention services annually to 18,536 youth and adults, while 21,929 will benefit from the restoration of substance abuse intervention and treatment services. Expansion of drug courts and the mandating of treatment in lieu of incarceration for certain drug offenses have increased the demand for treatment. Failure to provide these services at the state level will increase the burden on Child Protective Services, justice systems, and local communities through increased hospital and emergency room utilization.

Item #6: Texas Cancer Registry Certification

- Cancer registry data is essential for assessing the burden of cancer and evaluating the successes of cancer prevention and control efforts at the state, region and local community levels. Comprehensive, timely and accurate cancer incidence data is needed to identify populations at increased risk of cancer for targeting health resources and intervention efforts; to determine changes in incidence over time; and to plan and evaluate cancer control efforts. Funding this request would also allow Texas to favorably compete for research grant funding opportunities.

Item #7: Regulatory Automation System

- Regulatory programs at DSHS have been organized into functional components aligning common activities. However, at present there are 71 separate information systems that support 86 licensing programs. Due to the lack of integration between systems, data is not referenced across programs, the systems are costly to maintain, best business practices cannot be shared among programs, and management reporting is a time consuming challenge. Vendors no longer provide support for many of these systems. Improved efficiencies and effectiveness cannot be achieved as long as separate software programs for each industry and occupation must be utilized and maintained.

Item #8: Laboratory Automation System

- Funding is requested to replace existing, out-of-date information systems used for reporting, billing and tracking the results of microbiological laboratory tests and patient demographics. The current system is more than thirteen years old, uses out-dated programming language, and does not provide for direct import of data. The database is not currently Public Health Information Network Compliant, which means that an upgrade will have to be purchased to allow it to interface with CDC's computerized system. A new web-based system will result in more timely diagnosis and appropriate treatment.

Item #9: Sexually Violent Predator Caseload

- The Council on Sex Offender Treatment is required to provide comprehensive case management for sexually violent predators who have been civilly committed after release from prison. At the end of FY 2004, there were 41 persons civilly committed. Based on historic data, 12 additional clients will be added to the program each year. Case management includes provision of intensive sex offender treatment, mandated polygraphs, monitoring by the Department of Public Safety, supervised residential housing and transportation. Costs have increased during FY 2004 as more of these individuals are not on parole, shifting the cost of housing and transportation from TDCJ to DSHS.

Item #10: State Mental Hospital System

- Because they provide direct care, DSHS hospitals were not able to reduce critical direct care staffing or salaries to achieve the mandated savings required by the Retirement Incentive Plan. These reductions were achieved through one-time funding sources. Failure to restore the funds for 2006-07 will result in a reduction in service capacity. The State Mental Health Hospitals have experienced an unprecedented level of demand for services. This demand is attributed to the increasing general population and increasing number of forensic client commitments.

Item #11: Technology and Equipment for Critical Agency Functions

- Funding is requested for telecommunications, information technology, vehicles, and equipment and furniture. A recent internal audit found that the computers in the Mental Health Hospitals are incapable of supporting the necessary upgrades to the electronic records system, critical to efficient patient care. Seventy-one percent of the PCs in the mental health facilities do not meet minimum specifications. By the end of 2007, almost 100 percent of the PCs in Austin will be at or well beyond their replacement cycle. Funding will also replace telephone PBX systems for three mental hospital facilities as well as upgrading earlier PBX system installations at other hospital facilities. This funding will also replace equipment and furniture that has exceeded its life span, is no longer operational, is obsolete or requires frequent repairs. Additionally, requested funding would replace a portion of the vehicles in use at the facilities that have exceeded the replacement criteria issued by TBPC. Many need frequent repairs and are at risk for breakdowns or accidents while transporting patients and staff.

Item #12: Renovation/Repair MH Facilities

- Funding for this request is available from the general obligation bonds approved by voters subsequent to passage by the 77th Legislature. The ten mental health facilities are campus-style settings composed of 534 buildings. These buildings range in age from 6 years to 147 years with the majority built between 1930 and 1975. These buildings are in need of repair and renovation. To maintain accreditation, State hospitals must comply with environment of care standards of the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). These standards require the buildings be maintained in a safe and therapeutic environment that is conducive to the client's recovery. This request would cover repairs and renovations to client sleeping quarters, other client use areas and kitchen areas.

Item #13: Technical Staffing - Radiation

- This request would provide funding to address technical staffing challenges in the regulation of radioactive materials and devices. DSHS is responsible for 1) conducting timely and adequate licensure and inspection of radiation devices, such as mammography units, as a protection to public health and the environment; 2) assuring security of radioactive materials, and 3) responding to accidents and incidents involving radiation.

Item #14: Increase Compensation for RNs and LVNs

- Nurses are critical to delivery of services at the State Mental Health Hospitals, Texas Center for Infectious Disease and South Texas Healthcare System. This request would fund salary enhancements for RNs and LVNs to assist in retaining nursing staff. Salary comparison studies conducted at a sample of three state hospitals indicate that RN and LVN average salaries are lower than comparable facilities in the community. This coupled with lack of flexibility in scheduling and the requirement to work overtime to compensate for vacancies puts the hospitals at a disadvantage in recruitment and retention of nursing staff.

Item #15: TCID Construction Project

- The 77th Legislature appropriated general obligation bond funds to construct a replacement facility for the Texas Center for Infectious Disease, which is the state's hospital for tuberculosis patients. The original plans were to locate this on the current site utilizing some of the existing buildings. The 78th Legislature directed relocation of this hospital to the University of Texas Health Science Center in San Antonio. The budget to build a free-standing facility at the new site exceeds the present available bond fund balance by \$6 million.

Item #16: Newborn Screening

- Through the use of tandem mass spectrometers, DSHS could add testing for four additional conditions including Medium-Chain Acyl-CoA Dehydrogenase Deficiency (MCADD). Appropriate diagnosis and treatment of MCADD can prevent a combination of outcomes including but not limited to hypoglycemia, respiratory arrest, seizures and cardiac arrest. Long-term adverse consequences of undiagnosed and untreated MCADD may include developmental and behavioral disabilities.

Department of Aging and Disability Services

Summary Table of Exceptional Items Included in the FY 2006-2007 Legislative Appropriations Request

Exceptional Item	FY 2006		FY 2007		Biennial Total		FY 06	FY 07
	GR/GRD	All Funds	GR/GRD	All Funds	GR-R	All Funds	FTEs	FTEs
LBB Recommended	\$2,026,275,913	\$5,184,457,454	\$2,022,653,438	\$5,156,976,558	\$4,048,929,351	\$10,341,434,012	14,395.7	14,395.7
1 Meet Entitlement Growth	\$11,018,093	\$22,446,277	\$14,421,649	\$32,237,182	\$25,439,742	\$54,683,459	46.0	46.0
2 Staffing to Keep Pace with Entitlement Caseload Growth	\$3,761,153	\$6,037,547	\$6,503,839	\$10,373,860	\$10,264,992	\$16,411,407	164.7	264.5
3 Maintain Critical Accountability and Oversight	\$6,600,556	\$16,771,497	\$6,630,321	\$16,749,294	\$13,230,877	\$33,520,791	246.1	245.7
Salary/FTE Restoration	\$4,090,421	\$10,393,441	\$4,106,829	\$10,374,534	\$8,197,250	\$20,767,975	246.1	245.7
Other Cost Restoration	\$2,510,135	\$6,378,056	\$2,523,492	\$6,374,760	\$5,033,627	\$12,752,816	0.0	0.0
4 FY 2005 Costs in Waiver Programs (Utilization/Case Mix)	\$2,028,382	\$4,500,984	\$1,921,012	\$4,475,058	\$3,949,394	\$8,976,042	0.0	0.0
5 Non-Entitlement Title XX Services	\$0	\$2,734,217	\$0	\$2,734,683	\$0	\$5,468,900	0.0	0.0
6 Restore the Appropriation Reduction for STAR+PLUS	\$36,500,000	\$92,850,000	\$73,000,000	\$184,700,000	\$109,500,000	\$277,550,000	0.0	0.0
7 Guardianship Expansion	\$5,848,534	\$5,848,534	\$5,848,534	\$5,848,534	\$11,697,068	\$11,697,068	91.0	91.0
8 Promoting Independence	\$1,868,071	\$4,750,944	\$2,813,054	\$7,116,252	\$4,681,125	\$11,867,196	0.0	0.0
9 Acuity Rate Increases	\$15,680,143	\$39,858,014	\$36,352,483	\$91,961,758	\$52,032,626	\$131,819,772	0.0	0.0
Nursing Facility Increases	\$3,929,628	\$9,988,887	\$11,273,214	\$28,518,123	\$15,202,842	\$38,507,010	0.0	0.0
Community Provider Increases	\$11,750,515	\$29,869,127	\$25,079,269	\$63,443,635	\$36,829,784	\$93,312,762	0.0	0.0
10 Rate Restoration to FY 03	\$27,302,150	\$68,432,702	\$27,999,056	\$69,864,754	\$55,301,206	\$138,297,456	0.0	0.0
Nursing Facility Increases	\$15,526,149	\$39,466,572	\$15,680,164	\$39,666,490	\$31,206,313	\$79,133,062	0.0	0.0
ICF/MR Increases	\$2,730,231	\$6,943,620	\$2,744,813	\$6,943,620	\$5,475,044	\$13,887,240	0.0	0.0
Community Provider Increases	\$9,045,770	\$22,022,510	\$9,574,079	\$23,254,644	\$18,619,849	\$45,277,154	0.0	0.0
11 Rebase and Rate Increases	\$249,519,471	\$630,653,124	\$253,720,705	\$638,251,376	\$503,240,176	\$1,268,904,500	0.0	0.0
Nursing Facility Increases	\$204,070,154	\$518,734,504	\$206,093,402	\$521,359,480	\$410,163,556	\$1,040,093,984	0.0	0.0
ICF/MR Increases	\$8,417,941	\$21,408,801	\$8,462,899	\$21,408,801	\$16,880,840	\$42,817,602	0.0	0.0
Community Provider Increases	\$37,031,376	\$90,509,819	\$39,164,404	\$95,483,095	\$76,195,780	\$185,992,914	0.0	0.0

(Continued)

Department of Aging and Disability Services

Summary Table of Exceptional Items Included in the FY 2006-2007 Legislative Appropriations Request

Exceptional Item	FY 2006		FY 2007		Biennial Total		FY 06	FY 07
	GR/GRD	All Funds	GR/GRD	All Funds	GR-R	All Funds	FTEs	FTEs
12 One Dollar per Hour Rate Increase for Direct Care Staff	\$117,126,983	\$289,058,972	\$124,233,535	\$305,653,811	\$241,360,518	\$594,712,783	0.0	0.0
Nursing Facility Increases	\$31,680,047	\$80,528,842	\$31,987,664	\$80,919,970	\$63,667,711	\$161,448,812	0.0	0.0
ICF/MR Increases	\$8,128,376	\$20,672,370	\$8,171,788	\$20,672,370	\$16,300,164	\$41,344,740	0.0	0.0
Community Provider Increases	\$76,052,849	\$184,638,760	\$82,801,612	\$200,842,471	\$158,854,461	\$385,481,231	0.0	0.0
State School Nursing Increase	\$1,265,711	\$3,219,000	\$1,272,471	\$3,219,000	\$2,538,182	\$6,438,000	0.0	0.0
13 Maintain Critical Service Structure Supports	\$12,880,788	\$31,831,584	\$7,375,872	\$53,622,759	\$20,256,660	\$85,454,343	0.0	0.0
Client Transportation Replacement	\$2,792,675	\$2,792,675	\$2,792,675	\$2,792,675	\$5,585,350	\$5,585,350	0.0	0.0
Client Furnishings and Equipment	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$5,400,000	\$5,400,000	0.0	0.0
Renovations/Repairs-State Buildings	\$280,198	\$15,225,493	\$280,197	\$45,116,082	\$560,395	\$60,341,575	0.0	0.0
Information Technology/Telecommunication	\$3,807,915	\$4,513,416	\$1,803,000	\$3,014,002	\$5,410,915	\$7,527,418	0.0	0.0
Minimum Data Sets (Tiles to Rugs)	\$3,300,000	\$6,600,000	\$0	\$0	\$3,300,000	\$6,600,000	0.0	0.0
14 State School Construction - Richmond Cottages	\$0	\$2,556,818	\$0	\$0	\$0	\$2,556,818	0.0	0.0
Grand Total, DADS' Exceptional Items	\$490,134,324	\$1,218,331,214	\$560,820,060	\$1,423,589,321	\$1,050,954,384	\$2,641,920,535	547.8	647.2
Grand Total, DADS' Exceptional Items Plus Recommended	\$2,516,410,237	\$6,402,788,668	\$2,583,473,498	\$6,580,565,879	\$5,099,883,735	\$12,983,354,547	14,943.5	15,042.9

Item #1: Meet Entitlement Growth

- The Introduced Base Bill recommendations do not meet forecasted Medicaid entitlement caseload growth. Funding to serve clients above FY2006-07 Recommended levels at current FY2005 rates. Programs affected are: primary Home Care (PHC), Community Attendant Services (CAS), Day Activity and Health Services – Title XIX (DAHS), PACE, Medicaid-paid Medicare Skilled Nursing Facility (SNF) Co-insurance, Hospice, Rider 28 – Community Based Alternatives (CBA), and State Schools.

Item #2: Staffing to Keep Pace with Entitlement Growth

- Additional clients have been added in Long Term Care eligibility services for several biennia without a corresponding increase in the number of caseworkers. Workload has increased the number of cases per worker from an FY1995 average of 169 to an estimated 445 in FY2007. Funding this exceptional item would reduce the cases per worker to 366.

Item #3: Maintain Critical Accountability and Oversight

- Address reductions made in the Introduced Bill in order to support agency infrastructure. Recommendation cut \$35 million in salaries and operating costs. Restorations include salaries and operating costs for LTC Regulatory, IT, and other essential State Office Administrative staff that oversee: regulatory, technological, financial, and executive operations. The Promoting Independence Strategy is also reduced in the Introduced Bill by \$900,000.

Item #4: FY 2005 Costs in Waiver Program (Utilization/Case Mix)

- The Introduced Bill recommendations do not reflect latest forecasted FY2005 costs for Waiver Programs due to increased use of services and increased levels of care. Programs affected are: Community Based Alternatives (CBA), Home and Community-based Services (HCS), Community Living Assistance and Support Services (CLASS), Deaf-Blind Multiple Disabilities (DBMD), Medically Dependent Children Program (MDCP), Consolidated Waiver Program (CWP), and Texas Home Living Waiver (TxHmL).

Item #5: Non-Entitlement Title XX Services

- Guardianship program transferred to DADS in FY2005 from the Department of Family and Protective Services (DFPS). Program was transferred with no funding from DFPS. Title XX funds appropriated for client services for FY2004 and FY2005 will be used to fund this function in FY2005. This request seeks to restore estimated available Title XX Funds for FY2006-07.

Item #6: Restore the Appropriation Reduction for STAR+Plus

- Health and Human Services Special Provisions Section 50 reduce General Revenue by \$109.5 million as estimated savings attributable to the expansion of STAR+Plus. Decisions on the expansion of STAR+Plus are yet to be made so this reduction should be restored.

Item #7: Guardianship Expansion

- Guardianship program transferred in FY2005 to DADS from the Department of Family and Protective Services (DFPS). This request seeks to address the growth in the Guardianship program in FY2006-07, specifically Guardianship Specialists and support staff.

Item #8: Promoting Independence

- Funding requested to move 146 persons from large community ICF/MRs to HCS waiver services by the end of FY 2007. Keeps DADS in compliance with the State's commitment to place individuals currently residing in large ICF/MR institutions into a more integrated setting within 12 months of notification.

Item #9: Acuity Increases

- This item includes cost increases resulting from trends towards heavier case-mix in Nursing Facilities and Hospice. Also included are cost increases resulting from increases in the number of service units used per client in the following programs: Primary Home Care, Community Attendant Services, Day Activity and Health Services (DAHS), Community Based Alternatives (CBA), and Community Living Assistance and Support Services (CLASS).

Item #10: Rate Restoration to FY 2003

- Funds remaining portion of Medicaid provider rates reduced in FY 2004-05 from FY 2003 levels. Represents a 1.75 percent increase to rates for Nursing Facilities and ICF/MRs and a 1.1 percent increase for Community Care services and waivers.

Item #11: Rebase and Rate Increases

- Funds provider rate increases for Nursing Facilities, ICF-MRs, and Community Care providers. Based on rebased cost reports for FY2004-05 and rate increases for FY2006-07. The Implicit Price Deflator (IPD) used was to forecast growth.

Item #12: One Dollar per Hour Rate Increase for Direct Care Staff

- Assumes rate increases to reflect a \$1.00 per hour wage increase for: direct care staff for all contracted providers (Aides/Attendants, Registered Nurses, and Licensed Vocational Nurses) and provides a wage increase of approximately 2 steps for state school Registered Nurses and Licensed Vocational Nurses.

Item #13: Maintain Critical Service Structure Supports

- Includes funding to replace capital items, e.g., all outdated personal computers with an ongoing lease contract, upgrade telecommunication equipment, replacement of vehicles and equipment for the state schools related to client care, repair and renovate state school buildings and state owned bond homes, and minimum Data Set (TILES to RUGS Conversion).

Item #14: State School Construction – Richmond Cottages

- The former Texas Department of Mental Health and Mental Retardation Board approved the construction of eight 8-bed cottages at the Richmond State School. Five of these cottages were completed by FY2001 and this item requests the funding to construct the remaining 3 cottages. This item is presented in order to clarify legislative intent.

Texas Department of Assistive and Rehabilitative Services
Summary Table of Revised Exceptional Item Requests for FY 2006-2007

EXCEPTIONAL ITEM	FY 2006		FY 2007		BIENNIAL TOTAL		FY 06	FY 07
	GR/GRD	All Funds	GR/GRD	All Funds	GR/GRD	All Funds	FTEs	FTEs
LBB Recommended	\$ 90,256,620	\$ 469,462,144	\$ 90,763,218	\$ 477,804,718	\$ 181,019,838	\$ 947,266,862	3,121.8	3,121.8
Exceptional Items:								
1. State Matching \$ for VR federal grant	1,657,877	7,783,401	3,267,736	15,341,367	\$ 4,925,613	\$ 23,124,768		
2. Independent Living Centers	880,000	880,000	880,000	880,000	\$ 1,760,000	\$ 1,760,000		
<i>a. One new center (\$250K per yr)</i>								
<i>b. 30K per center for all 21 centers</i>								
Total Exceptional Items	\$ 2,537,877	\$ 8,663,401	\$ 4,147,736	\$ 16,221,367	\$ 6,685,613	\$ 24,884,768	-	-
Grand Total LBB Recommended plus Exceptional Items	\$ 92,794,497	\$ 478,125,545	\$ 94,910,954	\$ 494,026,085	\$ 187,705,451	\$ 972,151,630	3,121.8	3,121.8
3. Capital Rider Authority for new Case Management System		\$ 1,669,000		\$ 767,400		\$ 2,436,400		

Item #1: State Matching \$ for Vocational Rehabilitation (VR) Federal Grant

- An additional 12,851 consumers could receive counseling and guidance, physical restoration, training, job placement assistance and rehabilitation technology as authorized by the Federal Rehabilitation Act. The match rate for these funds is 78.7 percent federal and 21.3 percent state.

Item #2: Centers of Independent Living (CIL)

- An additional 4,668 clients could be served in Centers of Independent Living which provide peer counseling, independent living skills training, information and referral, and advocacy. There are twenty-one centers serving approximately 1.4 percent of the State's need. Funds requested would fund one new center and provide additional funding for those currently operating.

Item #3: Capital Rider Authority to Replace Case Management System

- The largest client case management system for the vocational rehabilitation (VR) program is obsolete, no longer supported by the vendor, and problems or system failures are difficult to remediate. The current server-based client case management system would be replaced with a web-based consumer case management system that provides for better data integrity, consistency, accuracy, and analysis capabilities in meeting federal reporting requirements.

**Health and Human Services Commission
Summary Table of Revised Exceptional Item Requests for FY 2006-07**

EXCEPTIONAL ITEM	FY 2006		FY 2007		BIENNIAL TOTAL		FY 06	FY 07
	GR&RD	All Funds	GR&RD	All Funds	GR&RD	All Funds	FTEs	FTEs
LBB Recommended	\$ 5,103,373,681	\$ 13,935,680,694	\$ 5,316,526,927	\$ 14,226,820,820	\$ 10,419,900,608	\$ 28,162,501,514	9,218.7	6,067.7
Medicaid 6 months Continuous Eligibility (CE)								
1. Maintain Medicaid Caseload Growth (6 months CE)	\$ 135,897,600	\$ 358,103,099	\$ 216,321,031	\$ 562,633,865	\$ 352,218,631	\$ 920,736,964		
2. Maintain Medicaid Cost Trends (6 months CE)	355,035,266	897,358,560	809,317,838	2,052,082,000	1,164,353,104	2,949,440,560		
3. Restore Medicaid Rates to 2003 Levels (6 months CE)	93,938,205	239,147,341	110,845,142	280,936,887	204,783,347	520,084,228		
<i>Subtotal, Medicaid 6 months CE</i>	<i>584,871,071</i>	<i>1,494,609,000</i>	<i>1,136,484,011</i>	<i>2,895,652,752</i>	<i>1,721,355,082</i>	<i>4,390,261,752</i>		
Medicaid 12 months Continuous Eligibility (CE)								
4. Maintain Medicaid Caseload Growth (12 months CE)	82,351,655	209,825,290	147,288,609	373,282,939	229,640,264	583,108,229		
5. Maintain Medicaid Cost Trends (12 months CE)	5,119,298	13,025,846	23,342,272	59,048,871	28,461,570	72,074,717		
6. Restore Medicaid Rates to 2003 Levels (12 months CE)	1,902,726	4,848,969	3,626,157	9,207,879	5,528,883	14,056,848		
<i>Subtotal, Medicaid 12 months CE</i>	<i>89,373,679</i>	<i>227,700,105</i>	<i>174,257,038</i>	<i>441,539,689</i>	<i>263,630,717</i>	<i>669,239,794</i>		
7. Apply New CHIP Cost Sharing Methodology**	(21,874,853)	0	(22,261,717)	0	(44,136,570)	0		
CHIP 6 months Continuous Eligibility (CE)								
8. Maintain CHIP Caseload Growth (6 months CE)	17,521,407	51,463,893	29,103,121	83,125,168	46,624,528	134,589,061		
9. Maintain CHIP Cost Trends (6 months CE)	8,687,110	26,539,418	21,072,498	63,705,097	29,759,608	90,244,515		
10. Restore CHIP Rates to 2003 Levels (6 months CE)	5,172,586	15,802,427	9,247,198	27,955,569	14,419,784	43,757,996		
<i>Subtotal, CHIP 6 months CE</i>	<i>31,381,103</i>	<i>93,805,738</i>	<i>59,422,817</i>	<i>174,785,834</i>	<i>90,803,920</i>	<i>268,591,572</i>		
CHIP 12 months Continuous Eligibility (CE)								
11. Maintain CHIP Caseload Growth (12 months CE)	11,658,491	36,707,839	36,280,963	113,764,729	47,939,454	150,472,568	-	-
12. Provide CHIP Cost Trends (12 months CE)	574,623	1,862,833	3,982,615	12,855,679	4,557,238	14,718,512	-	-
13. Restore CHIP Rates Levels to 2003 Levels (12 months CE)	342,150	1,109,191	1,747,683	5,641,430	2,089,833	6,750,621		
<i>Subtotal, CHIP 12 months CE</i>	<i>12,575,264</i>	<i>39,679,863</i>	<i>42,011,261</i>	<i>132,261,838</i>	<i>54,586,525</i>	<i>171,941,701</i>		
14. Maintain Program Administration and Support	9,658,207	24,226,726	9,422,885	23,656,324	19,081,092	47,883,050	138.6	138.6
15. Restore Medicaid Adult Services (Eliminated in FY04-05)	29,557,005	75,170,409	32,798,990	82,972,400	62,355,995	158,142,809	-	-
16. Partially Restore Services to Medically Needy Clients	17,500,000	44,506,612	17,500,000	44,270,175	35,000,000	88,776,787	-	-

(Continued)

Health and Human Services Commission

Health and Human Services Commission

Summary Table of Revised Exceptional Item Requests for FY 2006-07

EXCEPTIONAL ITEM	FY 2006		FY 2007		BIENNIAL TOTAL		FY 06	FY 07
	GR/GRD	All Funds	GR/GRD	All Funds	GR/GRD	All Funds	FTEs	FTEs
Hospital Reimbursements								
17. Provide State Funding for Graduate Medical Education	20,000,000	20,000,000	20,000,000	20,000,000	40,000,000	40,000,000		
18. Provide State Funding for Hospital Financing	26,338,708	26,338,708	26,338,708	26,338,708	52,677,416	52,677,416		
19. Fund Urban-Non Public Upper Payment Limit Program	27,000,000	68,667,345	27,000,000	68,302,555	54,000,000	136,969,900		
<i>Subtotal, Hospital Reimbursements</i>	73,338,708	115,006,053	73,338,708	114,641,263	146,677,416	229,647,316		
20. Restore TANF Annual Supplemental Payments	0	5,548,920	0	5,540,130	0	11,089,050	-	-
21. Maintain Technology Critical for Agency Functions	5,186,662	16,029,205	3,458,544	9,315,304	8,645,206	25,344,509	11.0	11.0
22. Maintain Support of Integrated Eligibility	17,759,494	40,295,352	53,880,147	118,462,439	71,639,641	158,757,791	344.1	344.1
23. Expand Family Violence Services	1,000,000	1,000,000	1,000,000	1,000,000	2,000,000	2,000,000	-	-
24. Office of Inspector General (OIG) Staff Increases	516,517	1,298,082	516,517	1,298,082	1,033,034	2,596,164	26.0	26.0
25. 2-1-1 Information and Referral (Area Info Centers)	1,529,535	3,500,000	1,529,535	3,500,000	3,059,070	7,000,000	-	-
26. Reduce HHS Waiting/Interest Lists - Demographic Growth	13,990,852	22,465,274	32,981,439	57,112,219	46,972,291	79,577,493	9.7	27.1
27. Reduce HHS Waiting/Interest Lists in 10 Years	71,874,987	160,016,914	185,710,277	445,464,195	257,585,264	605,481,109	67.7	183.9
28. Provider Rate Increases (Medicaid and CHIP)	81,770,762	211,385,366	181,762,774	468,292,168	263,533,536	679,677,534	-	-
29. Improve HHS Contract Management and Oversight	TBD	TBD	TBD	TBD	TBD	TBD		
30. Medicaid Buy-In	TBD	TBD	TBD	TBD	TBD	TBD		
Total Exceptional Items	\$ 1,020,008,993	\$ 2,576,243,619	\$ 1,983,813,226	\$ 5,019,764,812	\$ 3,003,822,219	\$ 7,596,008,431	597.1	730.7
Grand Total LBB Recommended Plus Exceptional Items	\$ 6,123,382,674	\$ 16,511,924,313	\$ 7,300,340,153	\$ 19,246,585,632	\$ 13,423,722,827	\$ 35,758,509,945		
						Maintaining Medicaid 6 months	1,721,355,082	
						Maintaining CHIP 6 months	46,667,350	
						Restoring Services	343,399,350	
						Expansion Services	6,092,104	
						Medicaid 12 month	263,630,717	
						CHIP 12 month	54,586,525	
						Waiting Lists	304,557,555	
						Provider Rates	263,533,536	
							<u>3,003,822,219</u>	

Item #1: Maintain Caseload Growth (6 months CE)

- Requested funding would provide Medicaid services to the HHSC projected caseload with 6 months continuous eligibility for children and holding FY 2005 costs flat as assumed in the bill as introduced. The difference in caseload is 136,532 average monthly clients in FY 2006 and 219,552 average monthly clients in FY 2007. The total projected caseload with 6 months continuous eligibility is 3,124,110 in FY 2006 and 3,356,597 in FY 2007.

Item #2: Maintain Medicaid Cost Trends (6 months CE)

- This request would address funding for utilization and inflationary cost increases at the 6 month CE Medicaid caseload. Generally, cost increases can be attributable to changes in medical technology and adoption of newer, more expensive procedures. Increases in the cost per prescription are primarily due to increases in the use of newer drugs that generally cost more than the predecessor drugs.

Item #3: Restore Medicaid Rates to 2003 Levels (6 months CE)

- This request would restore rate reductions incurred in FY05 of 2.5 percent for medical professionals and 5 percent for hospitals with the 6-month continuous eligibility caseloads and costs. These funds would be used to cover increases in both Fee-for-Service and Managed Care delivery models.

Item #4: Maintain Caseload Growth (12 months CE)

- Requested funding would provide Medicaid services to the HHSC projected caseload with 12 months continuous eligibility for children and holding FY 2005 costs flat as assumed in the bill as introduced. The incremental difference in caseload from 6 months is 132,090 average monthly clients in FY 2006 and 232,370 average monthly clients in FY 2007. The total projected caseload with 12 months continuous eligibility is 3,256,200 in FY 2006 and 3,588,967 in FY 2007.

Item #5: Maintain Medicaid Cost Trends (12 months CE)

- This request would address funding for utilization and inflationary cost increases at the 12 month CE Medicaid caseload. Generally, cost increases can be attributable to changes in medical technology and adoption of newer, more expensive procedures. Increases in the cost per prescription are primarily due to increases in the use of newer drugs that generally cost more than the predecessor drugs.

Item #6: Restore Medicaid Rates to 2003 Levels (12 months CE)

- This request would restore rate reductions incurred in FY05 of 2.5 percent for medical professionals and 5 percent for hospitals at the 12-month continuous eligibility caseload and cost. These funds would be used to cover increases in both Fee-for-Service and Managed Care delivery models. .

Item #7: Apply New CHIP Cost Sharing Methodology

- This request would restore rate reductions incurred in FY05 of 2.5 percent for medical professionals and 5 percent for hospitals at the 12-month continuous eligibility caseload and cost. These funds would be used to cover increases in both Fee-for-Service and Managed Care delivery models.

Item #8: Maintain CHIP Caseload Growth (6 months CE)

- Funding would provide CHIP services to the HHSC projected caseload with 6 months continuous eligibility and holding FY 2005 costs flat as assumed in the bill as introduced. The difference in caseload is 36,036 average monthly clients in FY 2006 and 57,788 average monthly clients in FY 2007. The total projected caseload with 6 months continuous eligibility is 360,786 in FY 2006 and 388,920 in FY 2007.

Item #9: Maintain CHIP Cost Trends (6 months CE)

- This item addresses funding for utilization and inflationary cost increases at the 6 month CE caseload.

Item #10: Restore CHIP Rates to 2003 Levels (6 months CE)

- This request would restore the 2.5 percent rate reductions incurred in the FY2004-05 biennium for CHIP HMOs at the 6-month continuous eligibility caseloads and costs.

Item #11: Maintain CHIP Caseload Growth (12 months CE)

- Requested funding would provide CHIP services to the HHSC projected caseload with 12 months continuous eligibility and holding FY 2005 costs flat as assumed in the bill as introduced. The incremental difference in caseload from 6 months is 25,324 average monthly clients in FY 2006 and 78,484 average monthly clients in FY 2007. The total projected caseload with 12 months continuous eligibility is 386,110 in FY 2006 and 467,404 in FY 2007.

Item #12: Maintain CHIP Cost Trends (12 months CE)

- This request would address funding for utilization and inflationary cost increases at the 12 month CE CHIP.

Item #13: Restore CHIP Rates to 2003 Levels (12 months CE)

- This request would restore the 2.5 percent rate reductions incurred in the FY2004-05 biennium for CHIP HMOs at the 12-month continuous eligibility caseloads and costs.

Item #14: Maintain Program Administration and Support

- This request would allow the agency to maintain adequate support of HHSC programs, internal operations and HHS consolidated functions. These FTEs and dollars provide the financial, technological, operational, and executive support and oversight for all programs. Without this funding, workload would increase which could increase error rates and reduce responsiveness. Reductions related to support of State Schools and Hospitals could eventually affect certification of these facilities.

Item #15: Restore Medicaid Adult Services (Eliminated in FY04-05)

- Funding would provide to Medicaid-eligible adults the services that were eliminated during the 2004-05 biennium. Biennial GR estimates of restoring services are: \$44.6 million for mental health services and psychologists, \$0.8 million for chiropractors, \$4.2 million for podiatrists, \$1.2 million for hearing aids, and \$5.6 million for vision care. The remaining amount of \$5.8 million would provide for managed care clients.

Item #16: Partially Restore Services to Medically Needy Clients

- Funding would partially restore the medically needy eligibility to adults in the Medicaid program as a placeholder for a pending recommendation on restoring the program under new state plan amendment. The eligibility for adults was eliminated during the FY2004-05 biennium since coverage is not federally required.

Item #17: Provide State Funding for Graduate Medical Education

- Funding would provide state funds for Medicaid reimbursement of Graduate Medical Education. The bill as introduced assumes that public hospitals would transfer the state share for this reimbursement.

Item #18: Provide State Funding for Hospital Financing

- Funds requested would replace intergovernmental transfers from hospitals with state funding. This transfer began during the 2002-03 biennium. Restoration of state funding was requested in lieu of a provider rate increase for in-patient hospital Medicaid reimbursement.

Item #19: Fund Urban-Non Public Upper Payment Limit Program

- Funding would maintain reimbursement that is being implemented during the 2004-05 biennium that reimburses certain high volume hospitals.

Item #20: Restore TANF Annual Supplemental Payments

- This request would restore the \$60 annual supplement payment to families receiving Temporary Assistance to Needy Families (TANF). During the 2004-05 biennium this payment was reduced to \$30.

Item #21: Maintain Technology Critical for Agency Functions

- Funding would maintain operations of the Health and Human Services Administrative System (HHSAS) which is critical to sustain hhs operations, provide for an upgrade to version 8.8 for ADA, maintain technological support for HHSC in terms of seat management for employees, and server replacement

Item #22: Maintain Support of Integrated Eligibility

- Funding would maintain support of eligibility functions at current levels so that integrated eligibility can be implemented during the 2006-07 biennium efficiently and effectively.

Item #23: Expand Family Violence Services

- This request would increase funding for family violence assistance. Funding would be used to expand services to unserved parts of the state and provide a minimum threshold of core services in outlying areas costing \$50,000 per county.

Item #24: Office of Inspector General (OIG) Staff Increases

- Funding would provide additional staff to address referrals from the Office of the Attorney General, the development and implementation of technological tools, additional legal duties which include forfeiture of assets and surety bonds from providers, and increased referral to Sanctions division from OIG audit staff.

Item #25: 2-1-1 Information and Referral (Area Info Centers)

- Funding grants to supplement increased volume of calls and workload. It is assumed that the request could be matched with available federal funding for information and referral functions.

Item #26: Reduce HHS Waiting/Interest Lists – Demographic Growth

- This funding would allow certain HHS 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) to keep pace with population growth.

Item #27 Reduce HHS Waiting/Interest Lists in 10 Years

- As a part of a plan to eliminate HHS waiting and interest lists over a ten-year period, this funding would reduce current waiting/interest lists by 20 percent over the 2006-2007 biennium and would eliminate many of the current HHS waiting/interest lists when combined with the demographic growth waiting list funding.

Item #28: Provide Rate Increases (Medicaid and CHIP)

- This request would partially offset inflationary costs and reduce the reimbursement disparity between Medicaid and Medicare. Funding would provide a 5 percent increase each year for CHIP HMO providers. For Medicaid providers the annual increase would be 4.6 percent for outpatient hospitals and 5.0 percent for physicians, dentists and other professionals.

Item #29: Improve HHS Contract Management and Oversight

- The five HHS agencies have reviewed agency support of contracts and will be preparing a proposal to improve contract management and oversight across the HHS enterprise.

Item #30: Medicaid Buy-In

- HHSC is reviewing information that may result in a request for funding to implement a Medicaid Buy-In program. This program would allow eligible working individuals with disabilities to buy into Medicaid coverage.