

Health and Human Services Commission



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Presented to Senate Members
of the
Legislative Budget Board

June 10, 2002

Overview of Health and Human Services Budget Issues FY02-03 Biennium

Projected Shortfalls

FY 2002-03 GR

Medicaid		\$223.3 million
• HHSC	\$197.8 million	
• TDH	\$ 25.5 million	
CHIP		\$40-50 million
Foster Care		<u>\$2.8 million</u> (+ \$60.9 TANF)
Total Estimated Shortfall		\$266.1 - \$276.1 million

Acute Care Medicaid

PROJECTED SHORTFALL

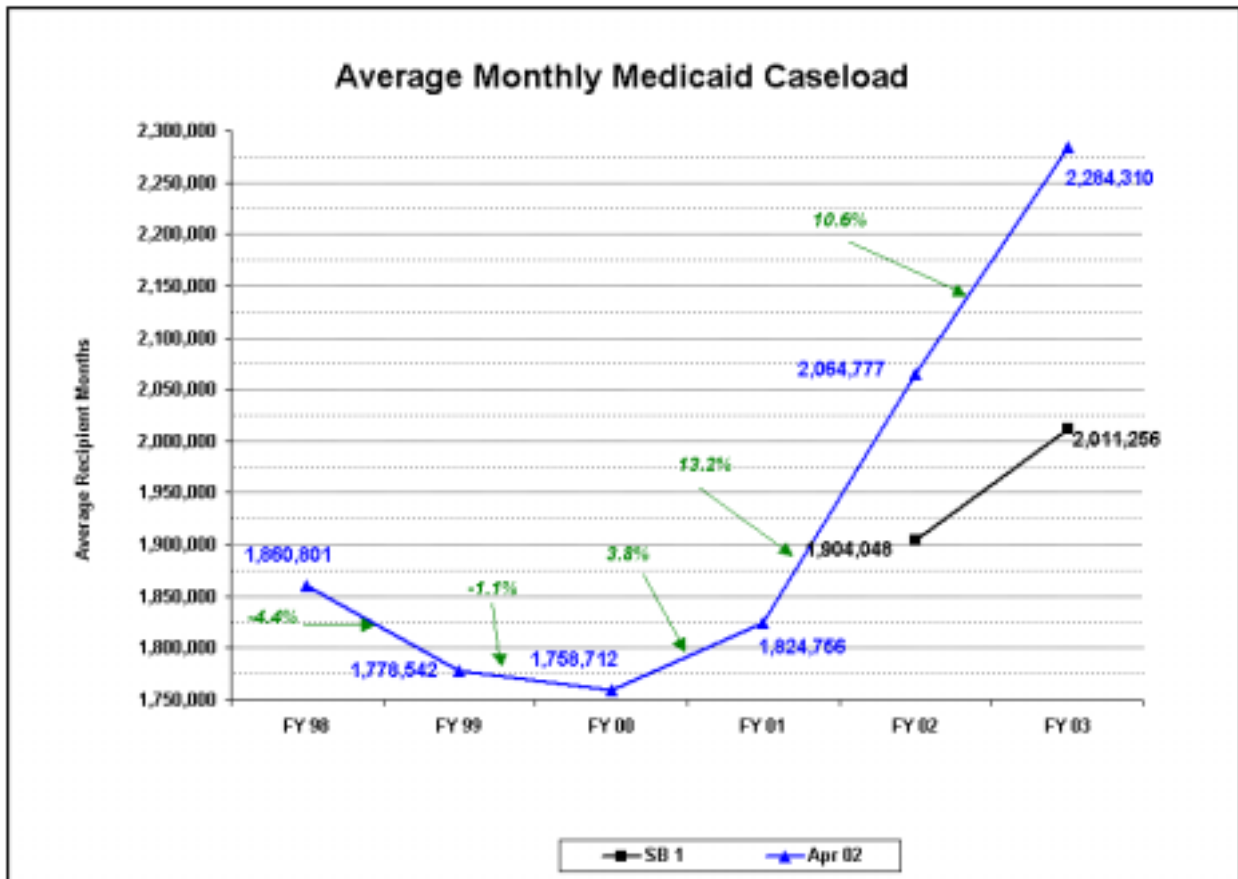
HHSC	\$197.8 million GR
TDH	<u>25.5 million</u>
TOTAL	<u>\$223.3 million</u>

CONTRIBUTING FACTORS

- The average biennial **caseload** increase over SB1 is 175,065.
- Vendor Drug **prescriptions** are expected to total 6.25 million more than SB1.
- Projected **cost-reimbursed services** expenditures are about 30 percent or \$55.0 million higher than the biennial appropriation.
- The estimated impact of the **FMAP** change is \$18.1 million at HHSC and \$0.8 million at TDH.

POSSIBLE ACTIONS

- Defer approximately \$225.0 million in Medicaid expenditures by moving from an accrual to a cash basis for paying claims.



Children's Health Insurance Program

PROJECTED SHORTFALL

\$40-50 million GR

CONTRIBUTING FACTORS

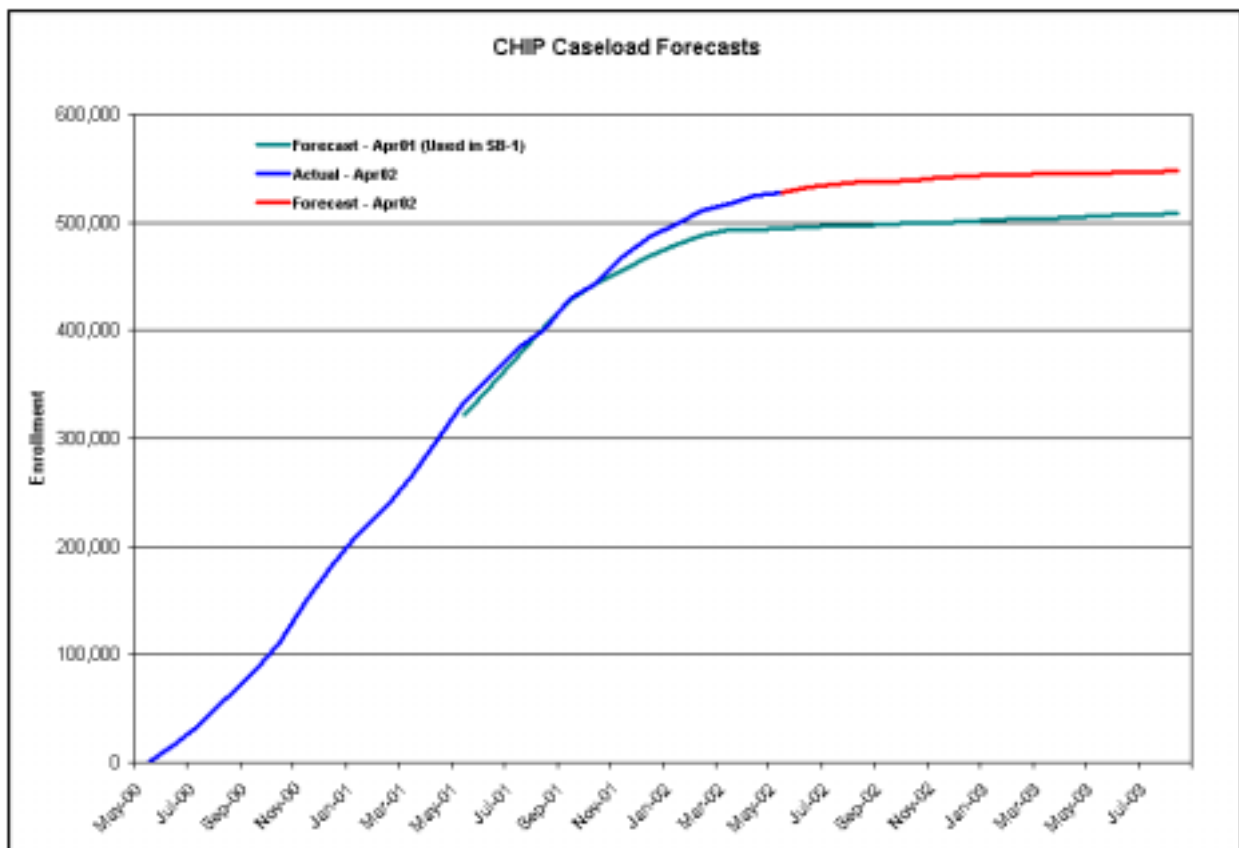
- The average biennial **caseload** increase from SB1 is 31,760 per month.
- **Premium rates** for the second year of the program increased approximately 17.7 percent on average, compared to the first year rates.
- State Employee Health Insurance premiums and participation in the State Kids Insurance Program (**SKIP**) have increased, creating a SKIP shortfall of \$11.3 million.

POSSIBLE ACTIONS

- Beginning in March, prescription drugs were carved-out of health plans creating voluntary rebate revenue estimated at \$9.6 million, depending on drug costs and utilization. HHSC has requested authority to have the rebate revenue applied to CHIP.
- Elimination of the FY03 rate increase (\$7.5 million).
- Use of savings from other HHS agencies (\$41.3 million identified in March 15th letter).

CASH FLOW

- The budget shortfall has created a cashflow problem anticipated this summer. Possible solutions are to utilize the carryback provision in SB1 or transfer any lapsed or saved General Revenue from other HHS agencies.



Status of Legislatively Mandated Reductions

Article II, Sec. 33 Medicaid Cost Containment

\$205 million GR reduction

- HHSC anticipates achieving the full savings through several initiatives. Major categories of reductions include:
 - Pharmaceutical Benefits \$ 62.6 million
 - Medicaid Trust Fund \$ 88.0 million
 - Hospital Payments \$ 48.5 million
 - Savings due to CHIP \$ 5.9 million
 - Total \$205.0 million

Article II, Sec. 21 Business Process Improvements

\$10 million GR reduction

- HHSC is working with all HHS agencies on the following initiatives to produce the required savings:
 - Consolidation of human resources functions
 - Consolidation of administrative training
 - Consolidation of facility lease/management functions
 - Coordination of HHS internal audit, single audit, third party audit, and cost report audit functions
 - Establishment of blanket purchase contracts for cell phones and pagers
 - Establishment of a HHS pharmaceutical purchasing committee
 - Consolidation help desk functions
 - Consolidation of voice telecommunication
- In order to realize the maximum savings, the HHS Administrative System (PeopleSoft) must be implemented in a timely manner in all HHS agencies.