



Joint Budget Hearing

FY 2008-2009

Legislative Appropriations Request

September 20, 2006

Health and Human Services Commission

The transformation of the Health and Human Services Commission (HHSC) is now two years old. Transformation of the health and human services system continues as we strive to develop stability and continuity in a dynamic environment to achieve the mission of HHSC.

“The mission of the health and human service agencies in Texas is to develop and administer an accessible, effective, and efficient health and human services delivery system that is beneficial and responsive to the people of Texas.”

FY 2006-07 Actions and Accomplishments

Medicaid and CHIP

- Restoration of Services in CHIP and Medicaid – FY 2006
- Implementation of STAR+Plus in Urban Areas and the Integrated Care Model – Spring/Summer FY 2007
- Primary Care Case Management (PCCM) Expansion – Fall 2007
- Outsourcing of Vendor Drug Claims & Rebate Processing – January 2006

Administrative Consolidations and Improvements:

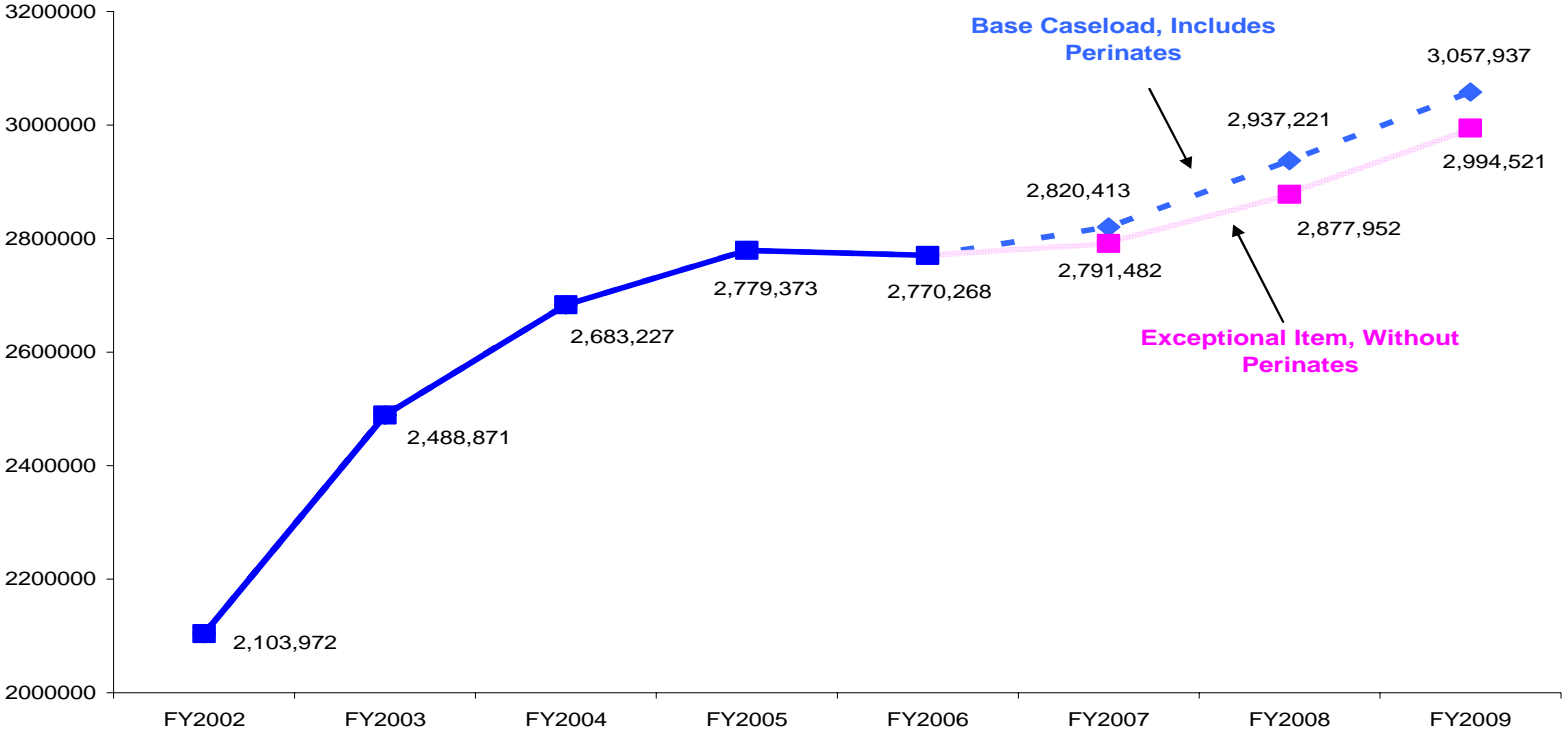
- Regional Administration Consolidation – FY 2007
- Medicaid Administrative Claiming Consolidation – FY 2007
- Implementation of Health and Human Services Administrative and Tracking System (HCATS) – FY 2007
- Conversion of HHSAS Version 8.8 Upgrade – September 2007

HHSC LAR Policy Guidance and Resulting Actions

- Limits baseline request for GR/GR-related funding to 90 percent of the sum of FY 2006 expenditures and FY 2007 budgeted funding, excluding client services for Medicaid only
- HHSC Base Request Assumptions
 - Medicaid
 - Average monthly caseloads are projected to increase from 2.8 million in FY 2007 to 3.1 million in FY 2009, and includes children who would have been eligible for CHIP Perinatal coverage.
 - Costs for hospitals, physicians, and other providers are maintained at FY 2006 levels.
 - Children's Health Insurance Program (CHIP)
 - The 10 percent reduction to CHIP was applied to the CHIP Perinatal Program which is not funded in the baseline request because there was only eight months of implementation in the 2006-07 biennium.
 - CHIP caseloads are projected to increase from 327,012 in FY 2007 to 339,037 in FY 2009.
 - Projected CHIP costs are estimated at FY 2008 levels for the 2008-09 biennium.
 - Temporary Assistance for Needy Families (TANF)
 - The 10 percent reduction applied to TANF Cash Assistance results in failure by the State to meet the federally-required Maintenance of Effort requirement by \$6.5 million.

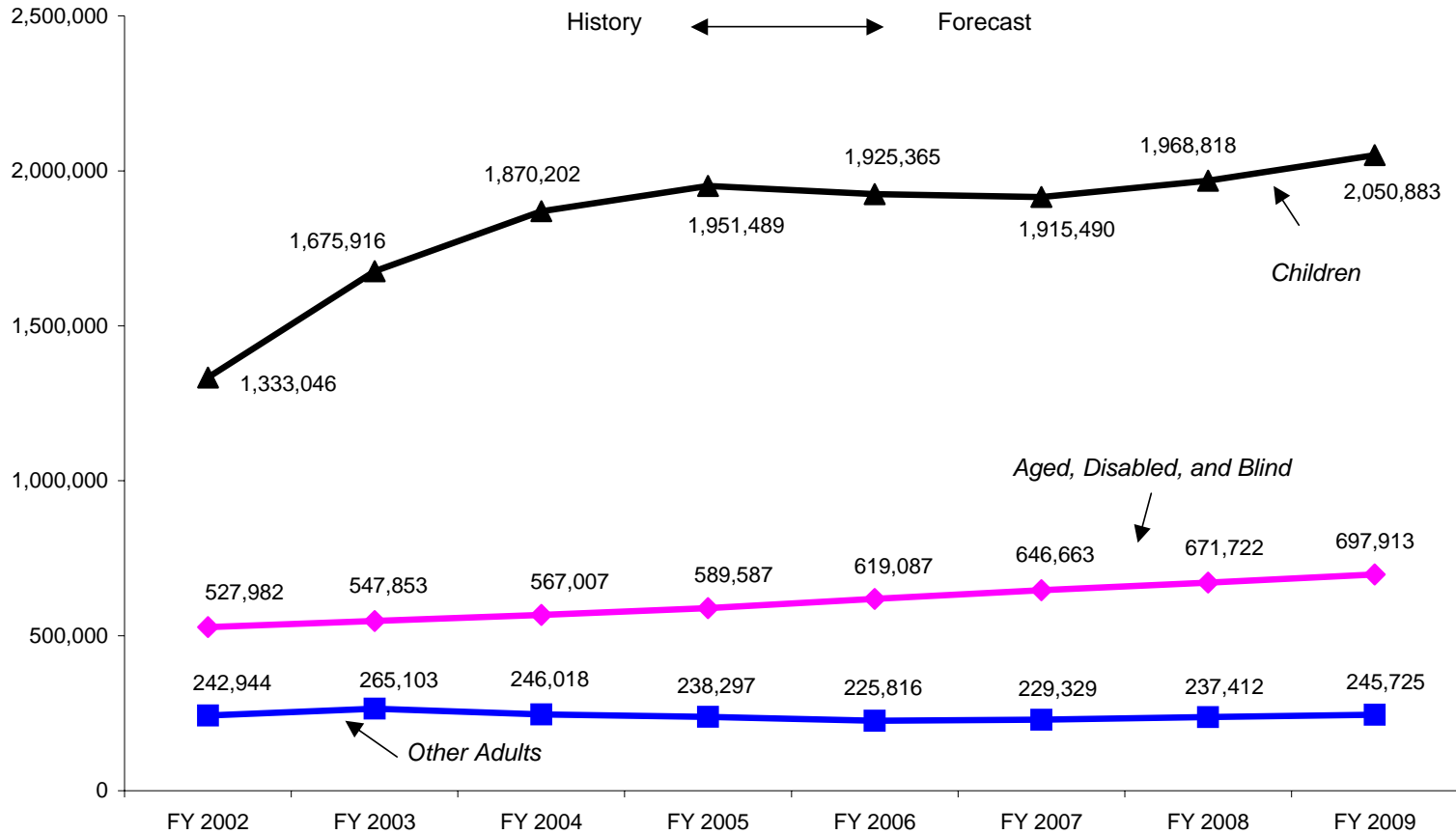
Medicaid Caseload

Medicaid Caseload Summary: FY 2002 through FY 2009, LAR Base and Exceptional Requests



Medicaid Caseload by Risk Groups

Medicaid Acute Care Caseload by Risk Groups, FY 2002 - FY 2009, Fall 2006 Forecast



Other Adults include TANF Adults, Pregnant Women, and Medically Needy; Children includes all non-disabled children

◆ Aged, Disabled and Blind ■ Other Adult ▲ Children

Children's Health Insurance Program (CHIP) Caseloads

Fiscal Years 2002 - 2009

| | Total Caseload | Federally Funded | Legal Permanent Residents | TRS Eligible Children |
|---------------|----------------|------------------|---------------------------|-----------------------|
| FY2002 | 497,688 | 488,315 | 9,373 | |
| FY2003 | 506,968 | 484,364 | 15,034 | 7,570 |
| FY2004 | 409,865 | 384,563 | 16,708 | 8,594 |
| FY2005 | 333,707 | 310,213 | 15,419 | 8,075 |
| FY2006 | 309,172 | 286,655 | 14,958 | 7,559 |
| FY2007 | 327,012 | 303,205 | 15,828 | 7,979 |
| FY2008 | 335,477 | 311,053 | 16,238 | 8,186 |
| FY2009 | 339,037 | 314,354 | 16,411 | 8,272 |

Note: FY 2006 includes actual data through July 2006

FY 2007 - FY 2009 are forecasts

FY 2006-2007 Budget Issues in the LAR

- Other Major Uses of HHSC Medicaid Funding This Biennium
 - Covering “Clawback” Payments - \$422.5 million GR
 - Other HHS Agency Transfers - \$206.6 million GR
 - Integrated Eligibility and Enrollment (IEE) Transfer - \$85.9 million GR
 - Disaster Assistance Transfer - \$26.0 million
- Net Supplemental Funding Need - \$130.3 million GR
 - \$160.6 million GR Medicaid biennial need
 - \$30.3 million GR CHIP biennial surplus
- The Fall update will likely change this need for the 2006-07 biennium
- Federal Funding Issues
 - Extended lengths of time for review of state plan amendments and waivers that would provide additional federal reimbursement.
 - HHSC continues to operate under a yet to be approved federal cost allocation plan since FY 2005.
 - Consolidation has greatly increased the complexity of financing and funding streams that support HHSC administrative operations.

HHSC FY 2008-2009 Budget Issues

- 10 Percent Baseline GR Reduction
 - \$72.6 million GR for the biennium allocated across all programs and agency administration except client services related to Medicaid
 - \$7.0 million GR related to TMHP costs are in the Medicaid Cost exceptional item were a part of the baseline reduction
- Maintaining CHIP and Medicaid Current Services
 - Cost Trends
 - Restoring CHIP Perinatal Program
 - Compliance with *Alberto N* Lawsuit Settlement
- Integrated Eligibility and Enrollment (IEE)
 - Caseload growth and mix determining funding and method of finance

HHSC 2008-09 LAR Rider Issues

- Rider 15, Medical Assistance Payments and Unexpended Balances, appropriates a monthly 1/12 allocation of the Medicaid appropriation. Request deletion since this rider is not necessary due to federal and state laws.
- Rider 45, Other Reporting Requirements, requires various monthly financial reports to the LBB and Governor's Office. Request revision that clarifies and simplifies periodic reporting into a single provision.
- Rider 22, Transfer Authority, authorizes transfers from one appropriation item to another appropriation item in amounts not to exceed 25 percent of All Funds for a fiscal year. Request amendment for needed flexibility.
- Rider 12, Appropriation Transfers Between Fiscal Years, and Rider 64, Unexpended Balance Authority for Eligibility Determination, authorizes transfers for agency programs. Request amendment to expand unexpended balance authority within all appropriations of the agency.

HHSC FY 2008-09 Rider Issues

- Request deletion of the following riders that impact the ability to achieve savings or cost containment: Rider 18, Payment of Hospital Providers; Rider 19, Payments to Rural Hospitals under Medicaid Managed Care; and Rider 20, Payments to Rural Physicians under Medicaid Managed Care.

HHSC LAR Summary Request

Health and Human Services Commission FY 2008-2009 Legislative Appropriations Request Baseline Plus Exceptional Items

| GOAL | | FY 2006-2007 Expend/Budgeted | FY 2008-2009 Base Request | FY 2008-2009 Exceptional Items | FY 2008-2009 Total Request |
|----------------------|-----------------------------------|---------------------------------|------------------------------|-----------------------------------|-------------------------------|
| Goal A | HHS Enterprise Oversight & Policy | \$ 1,391,677,685 | \$ 1,271,372,818 | \$ 253,122,245 | \$ 1,524,495,063 |
| Goal B | Medicaid | 25,722,061,449 | 27,347,575,522 | 5,789,294,226 | 33,136,869,748 |
| Goal C | CHIP Services | 1,264,235,772 | 1,097,226,628 | 759,855,370 | 1,857,081,998 |
| Goal D | Encourage Self Sufficiency | 1,130,160,037 | 997,082,508 | 12,214,905 | 1,009,297,413 |
| Goal E | Program Support | 184,997,246 | 209,920,826 | 16,653,864 | 226,574,690 |
| Goal F | Information Technology Projects | 74,496,427 | 40,577,510 | - | 40,577,510 |
| | Total, Agency Request | \$ 29,767,628,616 | \$ 30,963,755,812 | \$ 6,831,140,610 | \$ 37,794,896,422 |
| Method of Financing: | | | | | |
| | General Revenue | \$ 10,393,251,529 | \$ 11,149,077,646 | \$ 2,810,076,480 | \$ 13,959,154,126 |
| | General Revenue - Dedicated | 45,558,702 | - | - | - |
| | Federal Funds | 17,959,023,791 | 18,572,084,271 | 4,157,877,625 | 22,729,961,896 |
| | Other Funds | 1,369,794,594 | 1,242,593,895 | (136,813,495) | 1,105,780,400 |
| | Total, Method of Financing | \$ 29,767,628,616 | \$ 30,963,755,812 | \$ 6,831,140,610 | \$ 37,794,896,422 |

Appendix

- Summary of Exceptional Item Requests