

Health and Human Services Commission



Don A. Gilbert, Commissioner

Budget Hearing

Thursday, September 5, 2002

FY 2002-2003 Accomplishments

Cost Containment Initiatives

- **Medicaid cost containment.** The goal of \$205 million in general revenue savings specified in the General Appropriations Act will be met by the end of fiscal year 2003.
- **Administrative cost savings.** As directed by the General Appropriations Act, HHSC has identified \$10 million in general revenue related to administrative cost savings across all HHS agencies.
- **Waiver initiatives.** To expand Medicaid services without increasing state expenditures, HHSC has been developing 1115 waiver proposals to provide psychotropic medications to certain low-income adults, women's health services, medical and hospital services and prescription drugs for certain low-income adults with HIV/AIDS, and health services to uninsured adults using local funds. (Note: These projects were included in SB1156).

Enterprise Business Improvements

- **Administrative management.** By the end of fiscal year 2003, HHSC plans to have implemented the Health and Human Services Administrative System (HHSAS) financial management in four agencies and human resources management in three agencies.
- **Information and Referral.** The 2-1-1 abbreviated dialing code and an internet-based Health and Human Service Information and Referral database were developed to allow public access to information about available governmental and private health and human services.

Medicaid

- **Organization.** On September 1, 2001, HHSC assumed responsibility for administration of Medicaid acute-care services, which were formerly administered by the Texas Department of Health. HHSC reorganized Medicaid acute-care services and CHIP staff and business functions to improve contract management and customer service. HHSC also made the organizational structure more efficient by eliminating three layers of management.
- **Provider relations** were improved by implementing better communication strategies that help identify and resolve provider issues and address barriers to program participation.
- **Recipient enrollment** was made easier with the implementation of SB 43, which required a new, streamlined application form, eliminating a face-to-face interview, and six months of continuous eligibility.
- **Contracted administration.** In May 2002, HHSC issued a request for proposal to procure a single vendor to administer the claims payment and fiscal requirements of the Medicaid program, which is expected to result in cost savings and improved fiscal accountability.
- **Compass 21**, the automated Medicaid claims billing and payment system, was certified by the federal Centers for Medicare and Medicaid Services (CMS), allowing Texas to receive federal funding at an enhanced rate for the operation of its computer system.

CHIP

- **Enrollment.** HHSC started the FY02-03 biennium enrolling more children in CHIP faster than any other state in the country (429,000 as of September 2001). Fiscal year 2003 enrollment is projected to rise to about 536,000 children.
- **Prescription drug** purchase and administration has been improved significantly through a series of administrative interventions, including the acquisition of a sophisticated pharmacy management system, enhanced surveillance of potential fraud and abuse, clinical guidelines for improved efficiency, and increased utilization review.

Medicaid Investigation and Enforcement

- **Cost savings.** For FY02, HHSC increased Third Party Recovery (TPR) savings and cost avoidance by \$46 million, and is expected to exceed \$100 million in cost savings due to provider education and training.
- **Error rates.** Hospital utilization review will be conducted with a new automated tool based on the MFADS II platform beginning in January 2003. This activity is expected to expedite reviews, focus on error-prone areas, and decrease the error rate for inpatient hospital claims, which now stands at 9 percent.
- **Health Insurance Premium Program** participation increased by 28 percent in FY02.

Promoting Independence

- **CMS grant initiatives.** CMS awarded HHSC a \$1.4 million three-year "Real Choice Systems Change Grant," which will become available in state fiscal year 2003. This grant will help Texas make infrastructure changes to support people seeking community services and transitioning from institutions.
- **The Alternative Family-Based Options Project,** following the direction of SB 368, was implemented in Central Texas to develop options such as foster families for children in institutions.
- **Housing vouchers.** HHSC coordinated efforts with the Texas Department of Human Services and Texas Department of Housing and Community Affairs to request and receive 35 housing vouchers from the federal Housing and Urban Development Agency, which will be distributed to individuals transitioning from nursing facilities into the community.

Financial Management

- **Transition of Medicaid acute-care financial functions** from TDH to HHSC became effective September 1, 2001. Due to the complexity of the transition, HHSC has contracted with TDH to continue payment of Medicaid claims on behalf of HHSC through FY2002. After completion of significant modifications to HHSC financial systems, HHSC will begin paying all Medicaid claims and associated administrative expenses on September 1, 2002.
- **Implementation of the Health and Human Services Administrative System** will be completed at HHSC in FY03.

- **A cost allocation plan** was submitted to CMS in April 2002. Approval of the plan will result in maximizing federal funds at HHSC.
- **The Financial Services Division was restructured** to accommodate the additional responsibilities and increased workload associated with the Medicaid transition.

Factors Impacting Funding Needs

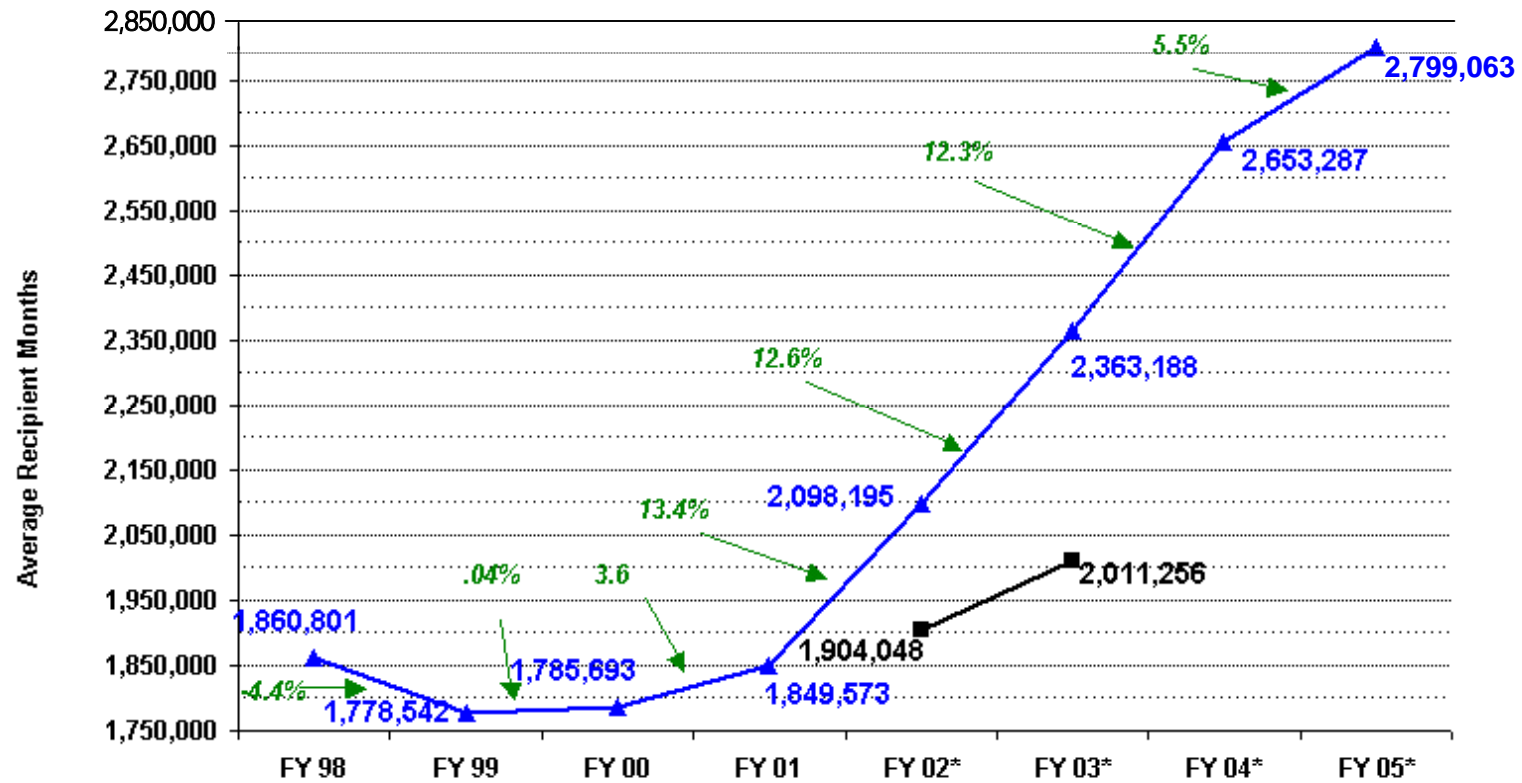
Medicaid

- The average monthly Medicaid caseload is expected to reach 2.8 million in FY 2005. This is an increase of 435,875 clients or 18.4 percent over FY 2003.
- Annual prescriptions paid for through the Vendor Drug Program will rise by 5.6 million or 16.7 percent from FY 2003 to FY 2005. The projected annual total for FY 2005 is 39.4 million.
- Inflation and changes in service utilization will cause the projected average monthly Medicaid cost per person to increase by \$12.32 or 6.4 percent, from \$192.24 in FY 2003 to \$204.56 in FY 2005.
- The annual rate of increase of approximately 11 percent in Vendor Drug Program prescription costs is anticipated for the next biennium. The trend will yield an average prescription cost of \$70.05 in FY 2005, up by \$13.03 from FY 2003.

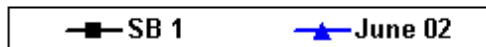
CHIP

- CHIP funding needs will rise as a result of caseload growth expected to run about one percent per year and benefit cost increases projected at about five percent per year.

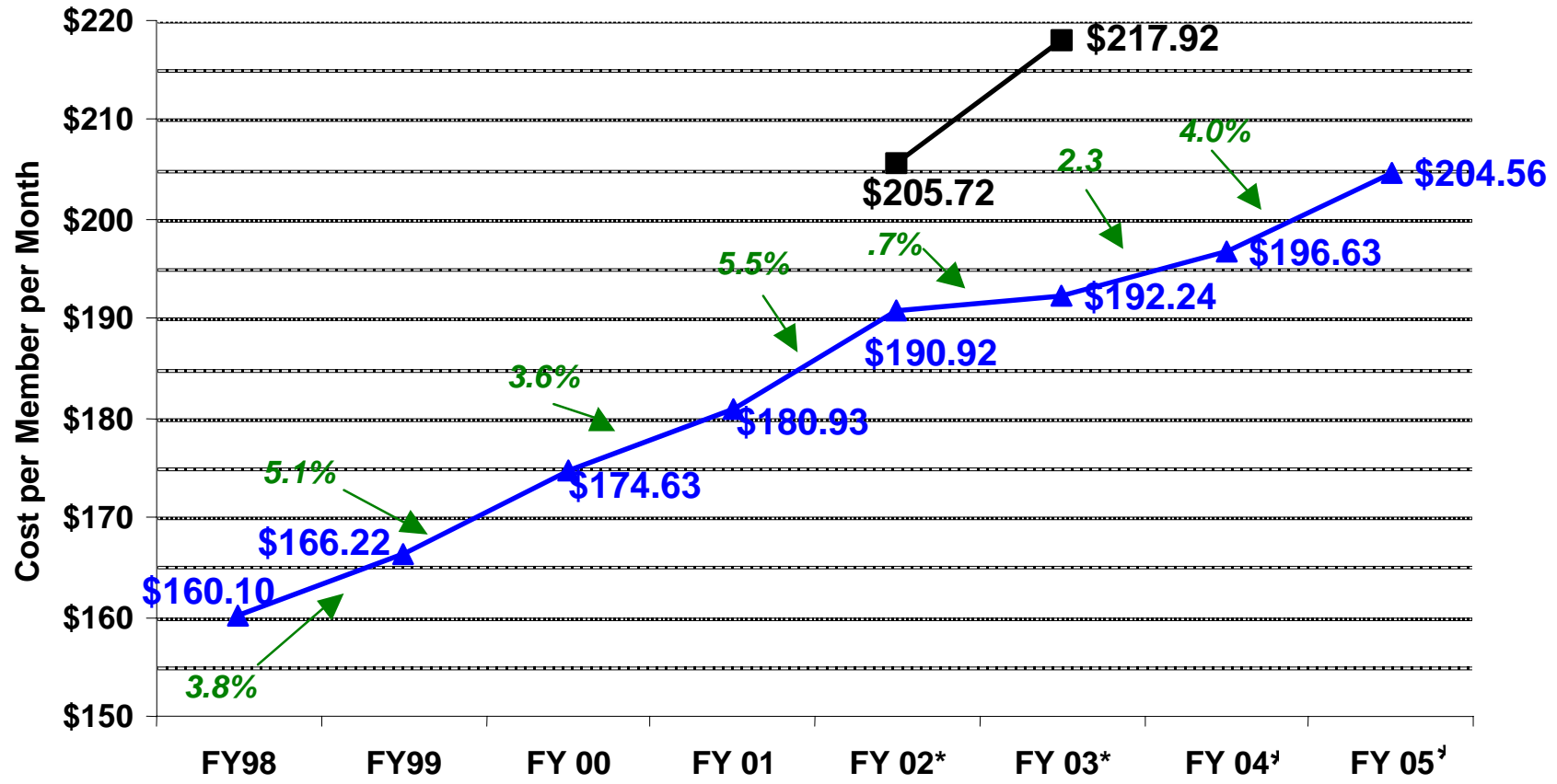
Average Monthly Medicaid Caseload



* Includes Spillover



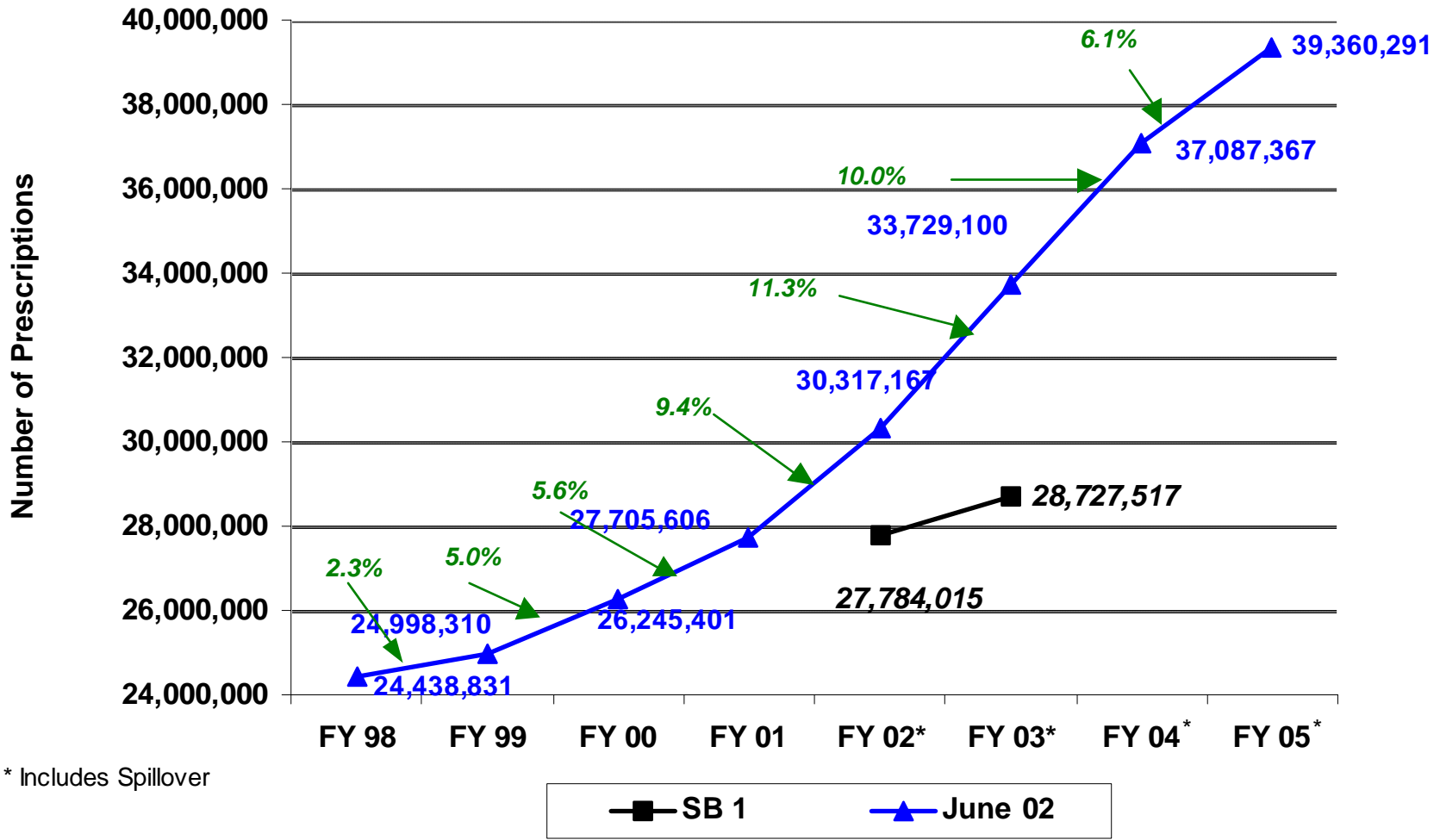
Average Monthly Medicaid Blended Cost



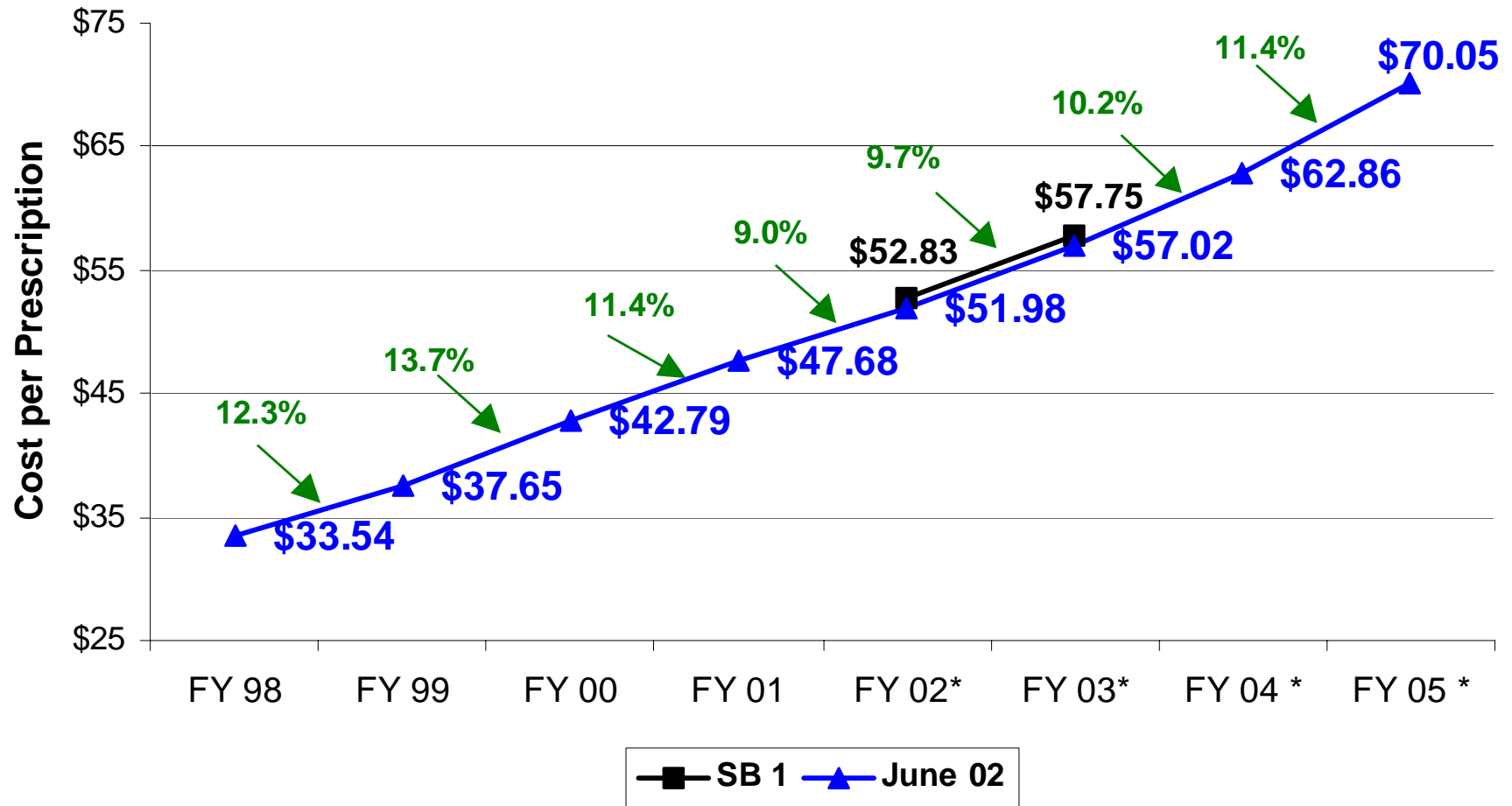
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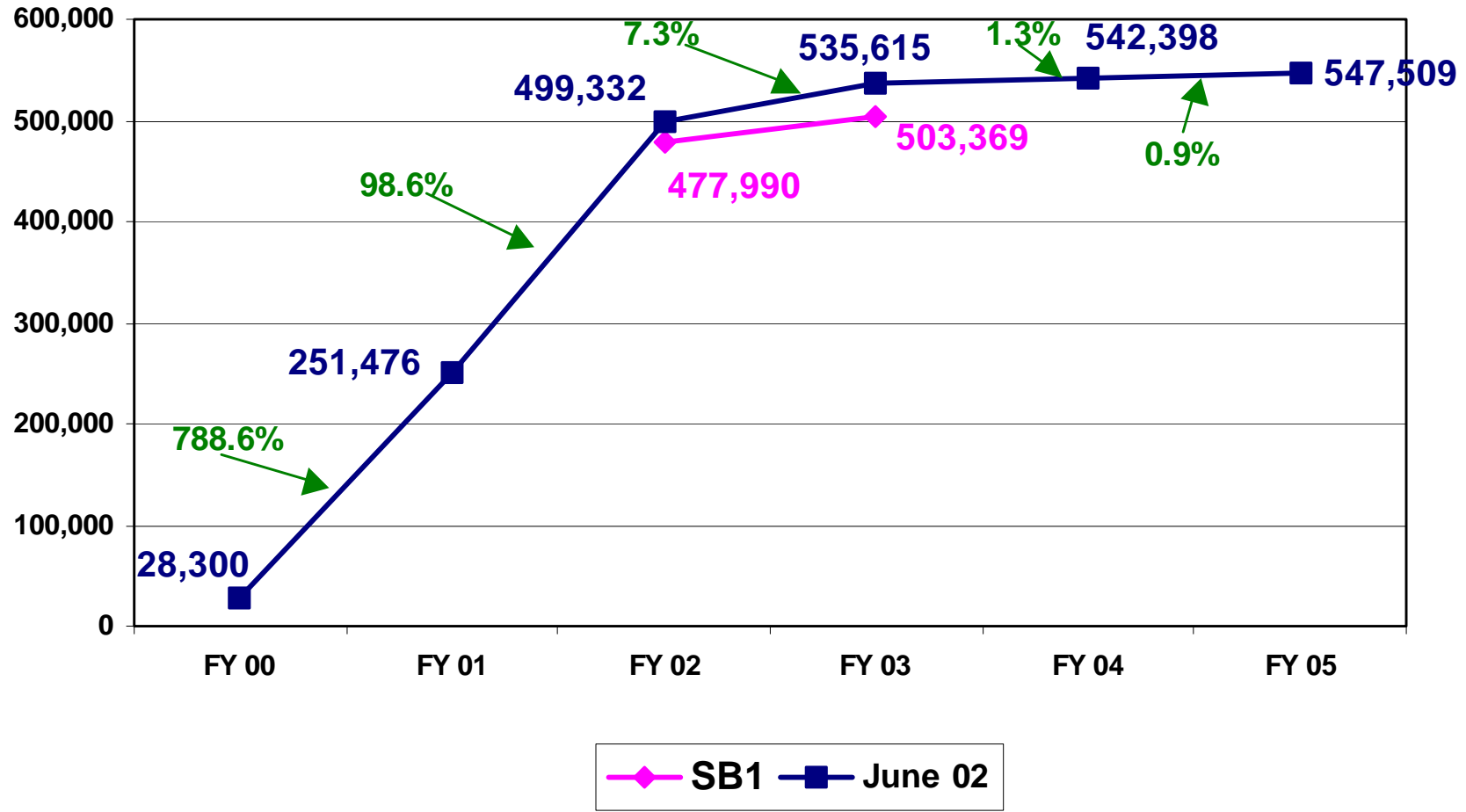
Number of Medicaid Prescriptions



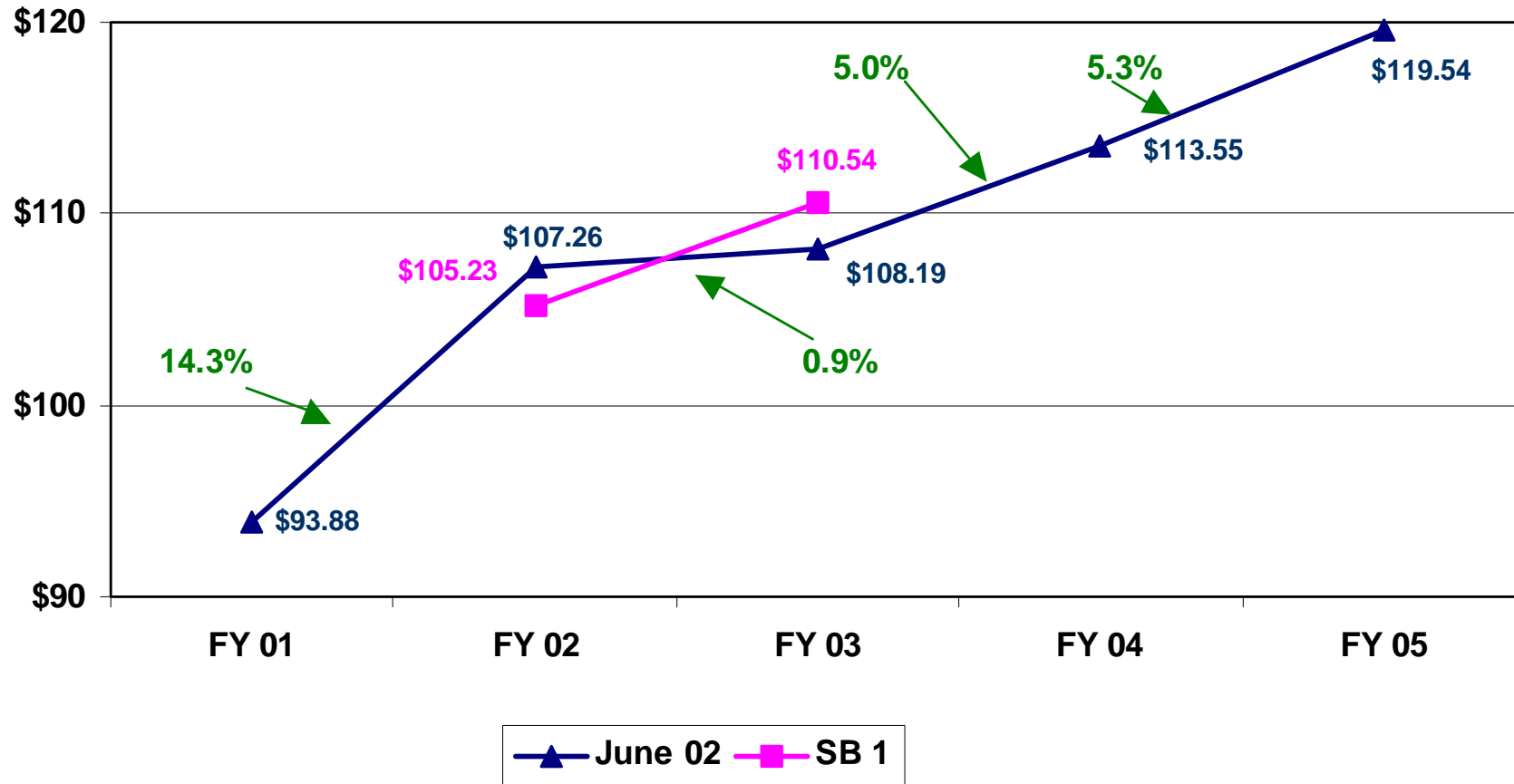
Average Medicaid Prescription Cost



CHIP Caseload FY 2000 - 05



CHIP Estimated Benefit Cost per Member FY 2001- 05



FY 2002-03 and FY 2004-05 Summary
(Dollars in Millions)

| | FY 2002-03 Est./Budgeted | FY 2004-05 Requested | Change |
|--|-----------------------------|-------------------------|-----------|
| <u>Baseline Request</u> | | | |
| Goal A: Improve Service Delivery | \$ 48.4 | \$ 29.3 | \$ (19.1) |
| Goal B: Medicaid | 15,635.0 | 19,019.3 | 3,384.3 |
| Goal C: CHIP (Non-Tobacco) | 1,022.3 | 978.8 | (43.5) |
| Goal D: CHIP (Tobacco) | 739.9 | 641.8 | (98.1) |
| Goal E; Indirect Administration | 6.3 | 16.5 | 10.2 |
| Total | \$17,451.9 | \$20,685.6 | \$3,233.8 |
| GR/Tobacco Funds | 6,820.1 | 8,040.2 | 1,220.1 |
| Federal Funds | 10,554.2 | 12,578.8 | 2,024.6 |
| All Other Funds | 77.5 | 66.6 | (10.9) |
| <u>Exceptional Item Request</u> | | | |
| Maintain Current Medicaid Services | | \$1,839.6 | |
| Maintain Current CHIP Services | | 246.3 | |
| All Other | | 1,148.3 | |
| Total | | \$3,234.2 | |
| GR/Tobacco Funds | | 1,296.0 | |
| Federal Funds | | 1,918.4 | |
| All Other Funds | | 19.8 | |
| <u>Total Agency Request</u> | | | |
| Total | \$17,451.9 | \$23,919.8 | \$6,467.9 |
| GR/Tobacco Funds | 6,820.1 | 9,336.2 | 2,516.1 |
| Federal Funds | 10,554.2 | 14,497.2 | 3,943.0 |
| All Other Funds | 77.5 | 86.4 | 8.9 |

- NOTES:**
1. May not add due to rounding.
 2. GR/Tobacco Funds Total includes GR, tobacco settlement receipts, Vendor drug rebates, co-payments, premium credits and subrogation receipts.

**Health and Human Services Commission
Exceptional Item Request FY 2004-05**

| | | <u>FY04-05 GR</u> |
|--|--|-------------------|
| 1. Maintain Medicaid Current Services | | \$ 739.3 |
| | Provides for cost and utilization increases necessary to maintain the program as it is currently operated. | |
| 2. Maintain CHIP Current Services | | |
| | Provides for caseload cost and utilization increases necessary to maintain the program as it is currently operated. | 81.9 |
| 3. Provider Rate Increases | | |
| | Provides rate increases for Outpatient Hospital and Professional Services to move Medicaid closer to Medicare reimbursement rates. | 430.3 |
| 4. HHSAS | | |
| | Provides funding to complete the Health and Human Services Administrative System | 10.2 |
| 5. HIPAA Federal Compliance | | 0.4 |
| | Provides funding necessary to ensure compliance with the federal Health Insurance Portability and Accountability Act of 1996. | |
| 6. FQHC Expansion | | 10.0 |
| | Provides funding to help local communities establish or expand Federally Qualified Health Centers | |
| 7. 2-1-1 Expansion | | 12.1 |
| | Provides funding to complete statewide implementation of phone system for referral to local health and human services agencies. | |
| 8. Promoting Independence Supports | | 5.1 |
| | Provides funding for housing and transportation support services for people with disabilities. | |

| | <u>FY04-05 GR</u> |
|---|--------------------------|
| 9. Replace GR for Permanency Planning | 0.1 |
| Continues funding for 2 positions to oversee all aspects of permanency planning. | |
| 10. Transportation Coordination Initiatives | 0.8 |
| Provides funding for projects and studies to support the Office of Community Transportation Services' efforts to improve transportation for HHS clients. | |
| 11. Guardianship Alliance Grants | 1.0 |
| Provides funding for 6 additional local volunteer guardianship programs. | |
| 12. Pilot Pharmacy Audits | 1.0 |
| Provides funding to allow HHSC's Office and Investigations and Enforcement to conduct contingency audits. | |
| 13. Family-Based Alternative | 0.4 |
| Provides funding to continue and expand services for families of children with disabilities. Services include community outreach, training materials and services for each placement. | |
| 14. Disaster Recovery Plan | 0.5 |
| Provides funding to allow HHSC to meet responsibilities for business continuity planning in the event of a disaster or business disruption. | |
| 15. LTC Community Access | 3.0 |
| Provides grants to communities for enhancing access to community based long-term care services. | |
| | \$ 1,296.0 |