



Presentation to the House Appropriations Sub-Committee on Health and Human Services

Health and Human Services System (HHS)
Legislative Appropriations Request

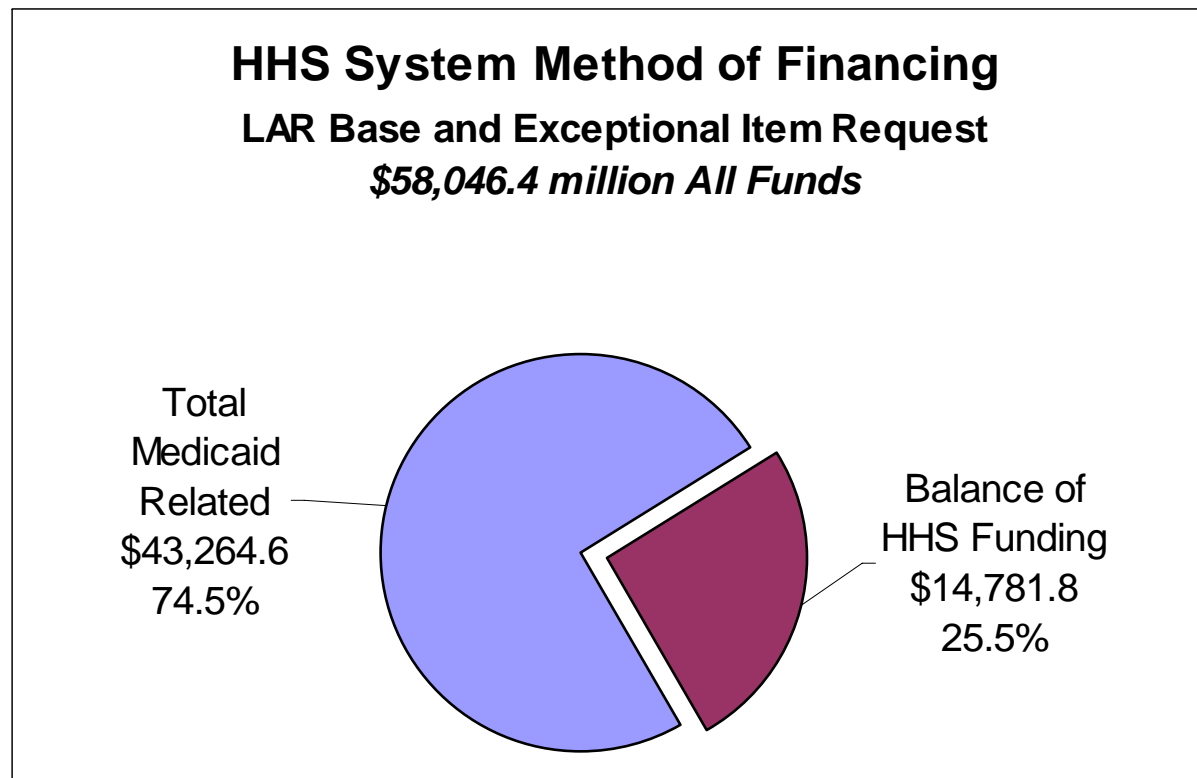
February 12, 2007

HHS Funding Risks and Uncertainties

- **Forecasts and Projections**
- **Federal Issues**
 - Minimum Wage
 - Cost Allocation Plans
- **New Services / Delivery Models**
 - Approval of waivers, state plan amendments
- **Litigation**
- **Disasters**

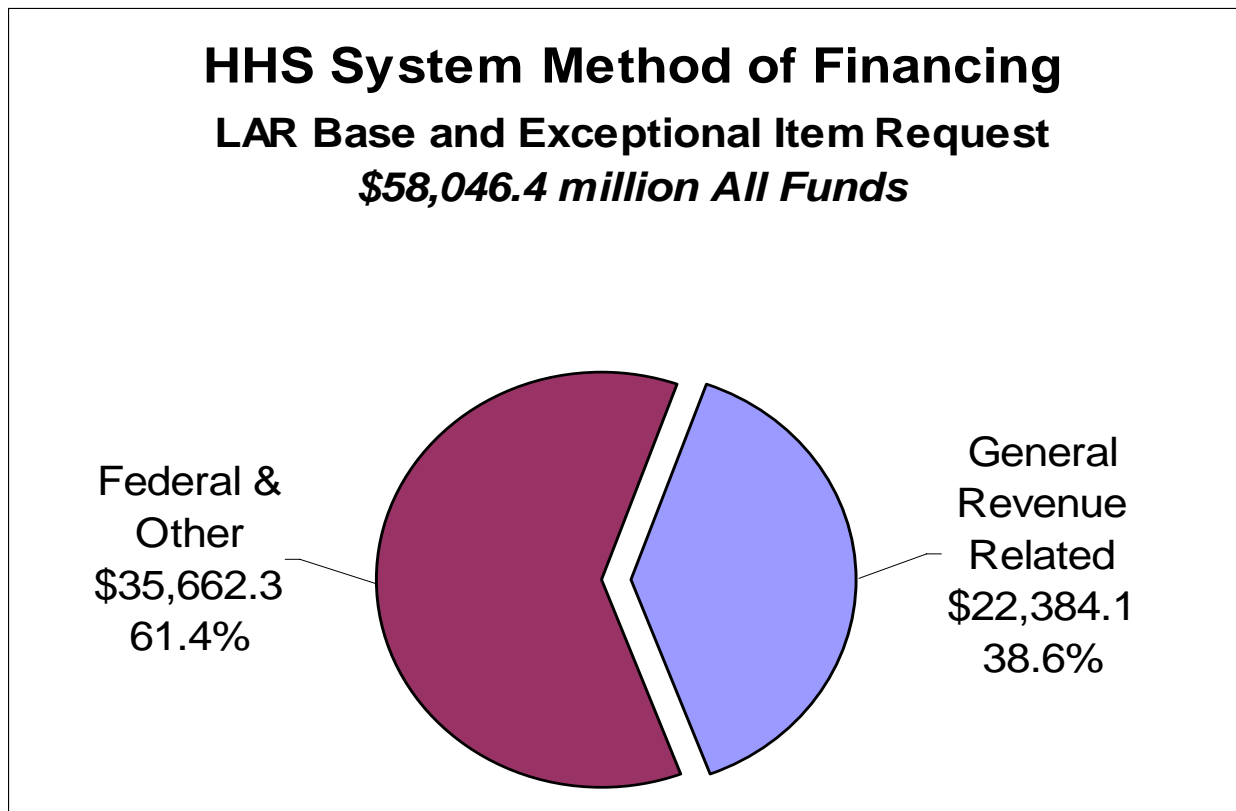
HHS System Overview

Medicaid represents approximately 75% of HHS Funding.



HHS System Overview

Federal funds represent approximately 60% of HHS funding.



Key Budget Drivers in FY 2008-09:

- Caseloads
- Costs and Rates
- Federal Program & Financial Requirements
- Professional Staffing
- Technology

HHS Funding Needs

LBB Recommended and Exceptional Funding Request

FY 2008 - 2009

(in millions)

Agency	LBB Recommendation		Revised Exceptional Item Request		Total Request	
	GR / GRD	All Funds	GR / GRD	All Funds	GR / GRD	All Funds
DADS	4,239.9	10,666.5	165.7	345.7	4,405.6	11,012.2
DARS	199.5	1,125.9	16.0	43.1	215.5	1,169.0
DFPS	1,022.1	2,379.8	107.1	122.3	1,129.2	2,502.1
DSHS	2,469.5	5,059.9	277.2	351.2	2,746.7	5,411.1
HHSC	11,011.3	31,672.4	2,644.0	6,685.7	13,655.3	38,358.1
Total, HHS	\$ 18,942.3	\$ 50,904.5	\$ 3,210.0	\$ 7,548.0	\$ 22,152.3	\$ 58,452.5

Note: Totals may not add due to rounding.



Legislative Appropriations Request

Health and Human Services Commission

- **LBB funding assumptions for the 2006-07 biennium included financing for the Medicare Part D “Clawback” and the Payoff of August 2007 Deferrals.**
- **Based on HHSC caseload and cost assumptions, funding for the 2006-07 biennium is not sufficient to address both of the above items.**

- **Medicaid and CHIP – \$2.0B GR; \$5.5B AF**
 - Medicaid Cost Growth for 2008-09: \$1.5B GR; \$4.4B AF
 - CHIP Cost Growth for FY 2008-09: \$50.9M GR; \$165.6M AF
 - *Alberto N* Lawsuit Settlement: \$149.2M GR; \$375.7M AF
 - Restore Provider Reimbursement Levels: \$235.6M GR; \$606.3M AF
 - Expand Breast and Cervical Cancer Program: \$19.3M GR; \$57.3M AF
- **Maintaining OES Staffing and Support – \$17.3M GR; \$32.6M AF**
- **HHS Enterprise Waiting/Interest Lists – \$260.9M GR; \$546.5M AF**
- **TANF Cash Assistance Caseloads – \$3.3M GR; \$50.5M AF**
- **Increase Provider Reimbursement – Reference Appendix B**
- **Federal Minimum Wage Legislation – To be determined**



Exceptional Items Summary

Texas Health & Human Services Commission

Revised 02/08/2007

EXCEPTIONAL ITEM	FY 2008		FY 2009		BIENNIAL TOTAL		FY 08	FY 09
	GR	All Funds	GR	All Funds	GR	All Funds	FTEs	FTEs
LBB Recommended	\$ 5,417,003,212	\$ 15,684,057,060	\$ 5,594,340,154	\$ 15,988,335,791	\$ 11,011,343,366	\$ 31,672,392,851	9,229.1	9,229.1
Exceptional Items:								
Essential Services								
1 Maintain Medicaid Cost Trends for FY2008-09	543,729,180	1,831,553,732	984,564,982	2,551,354,423	1,528,294,162	4,382,908,155	-	-
2 Maintain CHIP Cost Trends for FY 2008-09	19,297,774	63,977,068	31,633,439	101,672,239	50,931,212	165,649,307	-	-
3 Maintain OES Staffing & Support	\$ 18,554,447	\$ 37,249,585	(1,288,244)	(4,670,935)	17,266,203	32,578,650	805.6	805.6
4 Wait and Interest List for Demographic Growth	17,300,000	27,400,000	41,500,000	71,300,000	58,800,000	98,700,000	23.1	46.9
5 Fund Alberto N Settlement	71,239,274	180,581,176	77,975,902	195,134,892	149,215,176	375,716,068	99.5	99.5
6 Maintain TANF Cash Assistance Caseload	1,498,079	22,240,209	1,772,803	28,247,941	3,270,882	50,488,150	-	-
7 Maintain HIPAA Compliance	2,625,002	7,500,004	2,625,002	7,500,004	5,250,004	15,000,008	-	-
Critical Services								
8 Reduce HHS Waiting/Interest Lists	54,800,000	116,800,000	147,300,000	331,000,000	202,100,000	447,800,000	70.1	139.9
9 Increase Office of Inspector General (OIG) Support	3,278,812	8,122,492	3,278,812	8,122,492	6,557,624	16,244,984	85.0	85.0
10 Expand Breast and Cervical Cancer Program	7,943,578	22,700,175	11,319,639	34,613,996	19,263,217	57,314,171	2.0	2.0
11 Expand Family Violence Services	1,000,000	1,000,000	1,000,000	1,000,000	2,000,000	2,000,000	-	-
12 Critical Building Maintenance	1,437,396	1,437,396	-	-	1,437,396	1,437,396	-	-
13 Improve HHS Telecommunications & IT	9,915,206	18,693,838	11,021,476	20,477,785	20,936,682	39,171,623	-	-
14 Facility and Regional Infrastructure	623,758	623,758	-	-	623,758	623,758	-	-
System Improvements								
15 Coordination of Health Services	581,700	581,700	581,700	581,700	1,163,400	1,163,400	3.5	3.5
16 HHS Nurse Retention and Recruitment	14,656,968	19,608,881	17,312,698	22,272,099	31,969,666	41,880,980	108.0	162.0
17 Criminal History Checks	470,050	940,100	470,050	940,100	940,100	1,880,200	-	-
18 EBT Infrastructure and IBC	1,615,354	3,326,563	2,033,154	4,207,011	3,648,508	7,533,574	7.6	7.6
19 Restore Medicaid and CHIP Rates	115,994,588	296,383,147	119,623,067	306,944,817	235,617,655	603,327,963	-	-
20 Fund Private Urban Hospital UPL	27,000,000	68,702,290	27,000,000	69,000,767	54,000,000	137,703,057	-	-
21 Replace Non Recurring IGT	58,500,000	-	58,500,000	-	117,000,000	-	-	-
22 Funding Hospital Financing IGT	26,338,708	-	26,338,708	-	52,677,416	-	-	-
23 State Funding for Graduate Medical Education (GME)	40,500,000	103,053,435	40,500,000	103,501,150	81,000,000	206,554,585	-	-
Total Exceptional Items	\$ 1,038,899,874	\$ 2,832,475,549	\$ 1,605,063,188	\$ 3,853,200,481	\$ 2,643,963,061	\$ 6,685,676,029	1,204.4	1,352.0
Grand Total of Request with Exceptional Items	\$ 6,455,903,086	\$ 18,516,532,609	\$ 7,199,403,342	\$ 19,841,536,272	\$ 13,655,306,427	\$ 38,358,068,880	10,433.5	10,581.1



Key Measures Comparison

Select Performance Measures	Estimated	Budgeted	Recommended		Exceptional Item	
	FY2006	FY2007	FY2008	FY2009	FY2008	FY 2009
Goal B						
Average Medicaid Acute Care (& STAR+PLUS) Recipient Months Per Month	2,783,285	2,801,009	2,865,192	2,939,751	2,919,495	3,025,607
Average Medicaid Acute Care (& STAR+PLUS) Cost Per Recipient Month	\$ 204.94	\$ 207.62	\$ 208.95	\$ 209.44	\$ 231.99	\$ 241.79
Strategy B.2.2 Total Medicaid Prescriptions Incurred	38,800,769	27,257,054	28,163,154	29,083,675	28,570,454	29,819,068
Goal C						
Average CHIP Program Recipient Months Per Month	308,762	393,802	440,677	460,225	440,677	460,225
Average CHIP Program Benefit Cost w/o Rx Recipient Months Per Month	\$ 83.24	\$ 97.39	\$ 97.38	\$ 97.38	\$ 100.60	\$ 104.80
Strategy C.1.4 Average CHIP Programs Benefit Cost with Prescription Benefit	105.32	121.67	\$ 121.66	\$ 121.65	\$ 121.66	\$ 121.65
Strategy C.1.4 Average Perinate Recipient Months Per Month	-	70,193	95,480	101,977	95,480	101,977
Goal D						
Strategy D.1.1 Average Number of TANF Recipients Per Month	163,769	137,068	131,820	131,820	157,010	163,616
Strategy D.1.1 Average Number of TANF State-paid Recipients Per Month	8,858	6,456	5,488	5,488	7,442	7,755
Strategy D.2.1 Number of Women and Children Served	81,159	87,102	87,102	87,102	90,102	90,102

Exceptional Item # 1

Maintain Medicaid Cost Trends for FY 2008-09

This request is to maintain current services for cost and caseload growth over the assumptions in the appropriations bill as introduced. The overall client services cost growth trend for fiscal year 2008 is 7.1 percent and 6.4 percent for fiscal year 2009 including long-term care costs for STAR+PLUS expansion and drug costs. Additional caseload growth is assumed in fiscal 2008 and fiscal 2009 to be 54,303 and 85,856 average recipient months per month, respectively.

- Acute care medical costs, which include all inpatient and outpatient hospital costs, and all HMO premium payments for the Medicaid Risk Groups and STAR+PLUS account for approximately 57 percent of this exceptional item. Acute care medical costs grow at a rate of approximately 5.5 percent each year of the biennium.

- Vendor drug costs account for 15 percent of the cost growth from fiscal year 2007 to the 2008-09 biennium -- a 10 percent growth rate in 2008 and 11 percent in 2009.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$543.7	\$984.6	\$1,528.3
All Funds	\$1,831.5	\$2,551.4	\$4,382.9

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Totals
Avg. Medicaid Acute Care Recipient Months per Month	54,303	85,856	
Avg. Medicaid Acute Care Cost per Recipient Month	\$23.04	\$32.35	

Exceptional Item # 2

Maintain CHIP Cost Trends for FY 2008-09

This request would maintain current services funding for CHIP. This request includes the anticipated incremental cost increases above 2007 levels assumed in the bill as introduced. No additional changes were assumed in the CHIP caseload.

Client services in the CHIP program are paid through a capitated rate. Client services include acute care medical services and dental benefits, which were added back into the CHIP program in fiscal year 2006. Funding assumes the projected EFMAP of 72.37 percent for FY 2008 and 72.00 percent for FY 2009 as adjusted for state fiscal years.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$19.3	\$31.6	\$50.9
All Funds	\$64.0	\$101.6	\$165.6

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Totals
Avg. CHIP Programs Benefit Cost without Prescription Benefit	\$3.22	\$7.43	

Exceptional Item # 3

Maintain OES Staffing and Support Costs

This request would maintain current staffing in the Office of Eligibility Services of 7,200 positions and reflects the anticipated reduction in the IEE/TIERS contract. It also adjusts costs between FY 2008 and FY 2009 to reflect the anticipated variance in IEE/TIERS contract payments between the two years of the biennium.

This request also takes into account the recommendation in the bill, as introduced, to fund the cash assistance program to TANF two-parent families with unmatched GR, estimated at \$3.1 million GR for the biennium. The eligibility determination costs for these families could no longer be matched with either federal TANF or TANF MOE.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$18.5	\$(1.2)	\$17.3
All Funds	\$37.2	\$(4.6)	\$32.6

FTEs	805.6	805.6	N/A
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Program Impact	FY 2008	FY 2009	Totals
Average Monthly Number of Case Actions	3,827	3,750	

Exceptional Item # 4

Wait/Interest Lists – Demographic Growth

This exceptional item requests funding to continue the effort to reduce/eliminate waiting or interest lists for programs 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) as follows:

DADS – Home and community care waivers, non-Medicaid services, and the In Home & Family Support program. Assumes services will increase in proportion to the FY 2007 to FY 2009 demographic growth rate. All are phased in at 25 percent in the first year of the biennium and 75 percent in the second year. Includes funding for 23.1 FTEs in FY 2008 and 46.9 FTEs in FY 2009. Incremental acute care and prescription drug costs are assumed for all programs except non-Medicaid services and In Home and Family Support. \$32.2 million GR and \$72.1 million All Funds.

DARS – Comprehensive Rehabilitation Services and Independent Living Services. \$1.8 million GR and All Funds.

DSHS – Adult Community Mental Health, Child and Adolescent Community Mental Health, and Children with Special Health Care Needs (CSHCN). \$24.8 million GR and All Funds.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$17.3	\$41.5	\$58.8
All Funds	\$27.4	\$71.3	\$98.7

FTEs	23.1	46.9	N/A
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Program Impact	FY 2008	FY 2009	Totals
Avg. Number of Clients Served CBA Waiver (DADS)	327	981	N/A
Avg. Number of Clients Served per Month - CLASS (DADS)	41	124	N/A
Avg. Monthly Number of Consumers Receiving Home & Community-Based Services (DADS)	149	446	N/A
Number of People Receiving CRS and IL Services (DARS)	90	119	N/A
Number of CSHCN Clients Receiving Medical Services (DSHS)	55	55	N/A

Reference Appendix A1 for additional information.

Exceptional Item # 5 Fund *Alberto N* Settlement

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

Requested funding would provide for additional hours of private duty nursing, additional hours of primary home care services. The settlement agreement would 1) provide all medically necessary DME, nursing services (either through a home health skilled nurse or a private duty nurse provided through the Comprehensive Care Program at HHSC; 2) provide all necessary personal care services, taking into consideration the parent's needs and competencies; 3) eliminate diagnosis-based criteria for services; 4) revise the method for calculating and allocating the number of PDN and personal care services

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$71.2	\$78.0	\$149.2
All Funds	\$180.6	\$195.1	\$375.7

FTEs	99.5	99.5	N/A
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Program Impact	FY 2008	FY 2009	Totals

hours; and 5) coordinate nursing and personal care services hours. The State would also be permitted to make changes to the agreement based on changes in federal or state law. Implementation would begin in FY 2007. Amounts exclude any provider rate increases related to this case.

The new FTEs will be at the Department of State Health Services (DSHS) and 57.5 FTEs are required for the assessment requirements and 42 New FTEs would be required for case management.

Exceptional Item # 6

Maintain TANF Cash Assistance Caseload

This exceptional item would fully fund the projected caseload of the TANF cash assistance program as well as the two-parent families over the assumptions in the General Appropriations Bill as introduced. The General Revenue request would fund the additional caseload for two-parent program. Additional TANF federal funds requested would fund the additional caseload for TANF basic cash assistance.

Section 13.03 in Article IX would authorize HHSC to request additional TANF federal authority should caseloads increase over appropriated levels, depending upon the availability of those federal TANF balances.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$1.4	\$1.8	\$3.2
All Funds	\$22.2	\$28.2	\$50.4

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Totals
Avg. Number of TANF Recipient per month	25,190	31,796	N/A
Avg. number of TANF State-paid per month	1,954	2,267	N/A

Exceptional Item # 7 Maintain HIPAA Compliance

This request would continue HIPAA (Health Insurance Portability and Administration Act) Initiatives that ensure compliance with federal regulations regarding healthcare claims processing. This funding would allow for standardization of electronic claims attachments and the update of federal coding (diagnosis and inpatient procedure codes).

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

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$2.6	\$2.6	\$5.2
All Funds	\$7.5	\$7.5	\$15.0

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Totals

Exceptional Item # 8 Reduce Waiting/Interest Lists

This exceptional item requests funding to continue the effort to reduce/eliminate waiting or interest lists for programs 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) as follows:

DADS – Home and community care waivers, non-Medicaid services, and the In Home & Family Support program. All are phased in at 25% in the first year of the biennium and 75% in the second year. Includes funding for 70.1 FTEs in FY 2008 and 139.9 FTEs in FY 2009. Incremental acute care and prescription drug costs are assumed for all programs except non-Medicaid services and In Home and Family Support. \$168.7 million GR and \$414.4 million All Funds.

DARS – Comprehensive Rehabilitation Services and Independent Living Services. \$9.3 million GR and All Funds.

DSHS – Adult Community Mental Health, Child and Adolescent Community Mental Health, and Children with Special Health Care Needs (CSHCN). \$24.1 million GR and All Funds.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$54.8	\$147.3	\$202.1
All Funds	\$116.8	\$331.0	\$447.8

FTEs	70.1	139.9	N/A
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Program Impact	FY 2008	FY 2009	Totals
Avg. Number of Clients Served CBA Waiver (DADS)	671	2,014	N/A
Avg. Number of Clients Served per Month - CLASS (DADS)	303	908	N/A
Avg. Monthly Number of Consumers Receiving Home & Community-Based Services (DADS)	1,382	4,147	N/A
Number of People Receiving CRS and IL Services (DARS)	549	550	N/A
Number of CSHCN Clients Receiving Medical Services (DSHS)	524	524	N/A

Reference Appendix A2 for additional information.

Exceptional Item # 9

Increase Office of Inspector General (OIG) Support

This funding would provide additional staff required in the Office of Inspector General (OIG) and enable the OIG to address increasing workloads as a result of rule changes expanding OIG responsibilities, the Federal Deficit Reduction Act of 2005, fraud and hotline referrals, and implementation of the Texas Homeland Security Strategic Plan.

Some specific areas include 15 new auditors and 16 professional medical staff for Quality Control and Compliance, 15 investigators and staff to support Medicaid Program Integrity, 15 investigators to screen and investigate hotline referrals.

The funding request includes not only the state funding matched directly by Medicaid at HHSC (\$2.6 million GR) but also \$1.5 million GR and \$2.9 million AF for the other four HHS agencies for their related investigation costs. Other HHSC funding of \$1.0 million GR crosses over multiple funding sources.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$3.3	\$3.3	\$6.6
All Funds	\$8.1	\$8.1	\$16.2

FTEs	85.0	85.0	N/A
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Program Impact	FY 2008	FY 2009	Totals

Exceptional Item # 10

Expand Breast and Cervical Cancer Program

This request would expand the Texas Breast and Cervical Cancer Control (BCCC) Program to include all women in need regardless of the site at which they receive their cancer diagnosis.

The caseload impact of this expansion would be a caseload increase of 1,179 additional women in FY 2008 and 1,197 in FY 2009. As treatment may carry-over past the fiscal year, this estimate assumes that 590 of the women who enter the expansion program in FY 2008 continue in treatment through FY 2009.

The federal financial participation match rate is assumed at 72.49 percent for treatment, however, an estimated \$2,318,621 in FY 2008 and \$2,454,596 in FY 2009 for diagnostic services would not be eligible for federal match due to the existing CDC grant.

The 2 FTEs would be increases in the Office of Eligibility Services for eligibility workers to process the increased caseload.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$8.0	\$11.3	\$19.3
All Funds	\$22.7	\$34.6	\$57.3

FTEs	2.0	2.0	N/A
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Program Impact	FY 2008	FY 2009	Totals
Unduplicated Additional Clients Post-Expansion	1,179	1,197	

Exceptional Item # 11 Expand Family Violence Services

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

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

Primary Prevention services that would employ a variety of methods to prevent domestic violence before it occurs. These methods may include both school and community based educational opportunities and prevention of dating violence and bullying.

Transitional Housing services would enable shelters to serve additional clients in crisis by moving clients with less immediate and acute needs into transitional housing.

Legal Services would provide clients with additional assistance in such areas as protective orders, custody disputes, and court appearances.

\$ (in millions)	FY 2008	FY 2009	Total Biennium
Gen Rev	\$1.0	\$1.0	\$2.0
All Funds	\$1.0	\$1.0	\$2.0

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Total Biennium
Number of women and Children Served	3,000	3,000	

Job Training services that support victims in becoming self-sufficient and would include both short and long-term focused training ranging from interviewing skills to assisting victims achieve a college education.

Child Care services that would allow clients to work or attend school in order to become self-sufficient.

Exceptional Item # 12 Critical Building Maintenance

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

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

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

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$1.4	\$0.0	\$1.4
All Funds	\$1.4	\$0.0	\$1.4

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Totals

Exceptional Item # 13

Improve HHS Telecommunications & IT

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

The Enterprise Information & IT Asset Management initiative would implement business, asset and IT modeling to capture performance indicators and service level metrics as well as building an on-demand information Management and Data Warehouse capability. This request will fulfill statutory requirements of the 79th Legislature stipulated in S.B. 1188, H.B. 2292, and H.B. 151; allow business areas to accurately forecast trends and identify areas for savings; eliminate redundant program reporting applications across HHS programs; provide the capability to respond to changing needs through re-deploying existing workforce and IT assets; provide information about existing IT assets and re-use capability to lower costs for new IT systems. Biennial estimates total \$10.4 million GR and \$20 million All Funds.

The creation of an HHS Security Services Center/Forensics Lab would improve the overall security of HHS IT assets through testing, vulnerability assessments, and

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$9.9	\$11.0	\$20.9
All Funds	\$18.7	\$20.5	\$39.2
FTEs			N/A

centralized patch management / vulnerability remediation. Biennial estimates total \$1.2 million GR and \$2.3 million All Funds.

Requested funding would implement Enterprise Identity Management, including single sign-on for all applications needed by an employee and the granting and removal of security accesses based on the position a user is assigned rather than the manual flow of paperwork at the beginning and ending of assignments. Biennial estimates total \$0.7 million GR and \$1.3 million All Funds and would put the HHS Enterprise in compliance with SAO findings.

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

The telecommunications enhancement initiative includes regional office PBX enhancements, improved voice mail systems, and the streamlined use of toll-free numbers. The initiative will reduce existing line costs by implementing a seat management approach at an estimated cost of \$35 to \$50 per seat per month. Biennial estimates total \$0.2 million GR and \$0.4 million All Funds.



Exceptional Item # 14 Facility and Regional Infrastructure

This capital request of \$0.6 million, all funds, is for vehicle replacement for 22 vehicles that will maintain support of DADS State Schools and DSHS State Hospitals as well as HHS regional operations. This request would replace vehicles exceeding the state parameters of mileage in excess of 100,000 miles. Funding would:

- Replace two Trucks and two trailers that deliver frozen food products to the State Schools and Hospitals.
- Replace 2 mini-vans, 2 station wagons, 1 sedan and 1 truck that are currently used by staff at HHSC, DADS and DSHS to provide program and service oversight to State Hospitals and Schools.
- Replace 12 vehicles used in the 11 HHS regions staff for system support tasks. Vehicles are used to deliver mail, office supplies, facilitate moves and support IT tasks.

As the vehicles are depreciated, federal funding would be obtained in future years as Earned Federal Funds.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$0.6	\$0.0	\$0.6
All Funds	\$0.6	\$0.0	\$0.6

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Totals

Exceptional Item # 15 Coordination of Health Services

This request would provide staffing and other resources to address the coordination of health services critical to children and individuals with disabilities.

1) Funding would expand the Texas Integrated Funding Initiative (TIFI) to two additional communities (\$0.3 million annually). This initiative support serious emotionally disturbed children who are at risk of costly out-of-home placements with community and family-based alternatives. TIFI to develop local mental health care systems for children in up to six communities. Four communities have been funded with small amounts of seed money for the past six years and this has provided local entities with the capability of receiving almost \$20 million in federal dollars. These communities have successfully implemented a system change service delivery approach to produce more positive outcomes for children/youth and their families.

2) State funding of \$0.3 million would continue the Early Childhood Comprehensive Systems initiative currently funded through an expiring federal grant to improve communication, coordination and efficiency within and beyond the HHS system of services for children under age six. The funding will support the current FTE and a new FTE, to implement activities across the HHS system, as well as across non-HHS systems, including education and childcare. The additional funding would facilitate a more coordinated and comprehensive

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$0.6	\$0.6	\$1.2
All Funds	\$0.6	\$0.6	\$1.2

FTEs	3.5	3.5	N/A
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system of services that more efficiently meets the needs of children under age six.

3) Funding of \$0.3 million would establish an Office for Acquired Brain Injury to respond to the increasing number of survivors of traumatic brain injuries (TBI), many of whom face lifelong needs for support. This situation is particularly relevant to servicemen and women who are returning war veterans. With changing demographics and an increasing population of individuals who are permanently disabled by brain injury in Texas, there is a critical unmet need for information and care coordination. By assisting them in identifying services; reducing the need for state funding; accessing available federal grants and resources, this would further provide a central point of contact for services to TBI survivors since services required by survivors are at different agencies across the enterprise.

Access to information and services and support is critical and a liaison is needed between state agencies and federal services to prevent service duplication, to address gaps in services, and to ensure that recommended policy changes are based upon accurate data and assessments.



Exceptional Item # 16

HHS Nurse Retention and Recruitment

This item is requested on behalf of DADS, DSHS, and HHSC to improve nurse retention and recruitment throughout the HHS system. Turnover rate of 27 percent for Registered Nurses (RN) and 31 percent for Licensed Vocational Nurses (LVN) in HHS agencies are well above the statewide average of 17 percent for all state employees. Likewise, vacancy rate continue to be high in the area at 17 percent for RNs and 10 percent for LVNs. This exceptional item would increase salaries by an average of 15 percent for 1682 RNs and 1,010 LVNs working in HHS agencies, primarily in state mental health hospitals (DSHS), state schools (DADS), the long term care regulatory function (DADS), and nurse investigators in the HHSC OIG as well as in Medicaid. The share by agency totals \$8.7 million GR and \$17.9 million All Funds for DADS, \$23.0 million GR and All Funds for DSHS, and \$0.2 million GR and \$0.9 million All Funds for HHSC.

This request also includes two additional incentives to assist in recruitment and retention of nurses. Educational stipends would to provide the opportunity for current HHS staff to achieve nursing certification in

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$14.7	\$17.3	\$32.0
All Funds	\$19.6	\$22.3	\$41.9

FTEs	108.0	162.0	N/A
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Program Impact	FY 2008	FY 2009	Totals

exchange for a commitment to remain with the state for a specified period of time. This stipend would provide salary and education expenses to support 50 staff pursuing LVN certification, 50 associate RNs, 4 bachelors' - level RNs, and 4 master's level nurses each year. Additionally, a set allocation of \$150 would reimburse nurses for license renewal and/or continuing education cost.

Exceptional Item # 17 Criminal History Checks

Effective December 1, 2005, the Office of Inspector General's Medical Provider Integrity Unit (MPI) began conducting criminal history checks on all Medicaid provider applicants, including those with ownership and principal interests, using the Department of Public Safety (DPS) secured website, at a cost of \$1.00 per applicant. This process would be completed in FY 2008.

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

This funding request is eligible for a 50-50 Medicaid match rate.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$0.5	\$0.4	\$0.9
All Funds	\$0.9	\$0.9	\$1.8

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Totals

Exceptional Item # 18 EBT Infrastructure and IBC

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

The request of \$6.0 million All Funds and \$2.9 million GR would subsidize the EBT system which has been operating for twelve years with no major updates to the central processing hardware or the operating system. In order to ensure compliance with federal Food Stamp Program requirements, the EBT system needs to be migrated to a platform that is fully supported. Maintenance for one of the key components of the current platform is no longer available in the current environment. Migration to a Unix platform

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$1.6	\$2.0	\$3.6
All Funds	\$3.3	\$4.2	\$7.5

FTEs	7.6	7.6	N/A
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Program Impact	FY 2008	FY 2009	Totals

would resolve this issue as well as improve overall system performance and reliability. An additional advantage is that the new system may be easily scaled to adjust to changes in volume or to expand services and programs covered by the Lone Star Card. Funding would also cover variable contract costs such as transaction fees, card issuance and increased call center activity, associated with caseload growth.

The IBC implementation would consolidate cared management functions and would provide savings in future biennia for program operations, card issuance, replacement, and storage. It would provide greater convenience and security for clients and providers. Estimated cost is \$1.5 million All Funds and \$0.7 million GR.

Exceptional Item # 19

Restore Medicaid and CHIP Rates

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

Costs associated with Medicaid rate restoration total \$230.5 million GR (\$126.7 million for inpatient hospital, \$16.6 million for outpatient hospital, \$43.1 million for medical professionals, \$3.7 million for pharmacists' dispensing fee, \$1.7 million for ambulance and \$38.8 million for managed care.)

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

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$116.0	\$119.6	\$235.6
All Funds	\$296.4	\$307.0	\$603.3

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Totals
Avg. CHIP Programs Benefit Cost with Prescription Benefits	\$168.73	\$180.45	
Avg. Medicaid Acute Care Cost per RM	\$247.38	\$258.62	

Exceptional Item # 20

Fund Private Urban Hospital UPL

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

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$27.0	\$27.0	\$54.0
All Funds	\$68.7	\$69.0	\$137.7

FTEs			
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Program Impact	FY 2008	FY 2009	Totals

Exceptional Item # 21 Replace Non Recurring IGT

This request restores funding to STAR+PLUS providers for a \$58.5 million GR reduction imposed pursuant to S.B. 1, Article II, Special Provisions, Section 49 (79th Legislature) which was a biennial reduction of \$109.5 million GR.

Requesting replacement of GR in lieu of intergovernmental transfers (IGT) from local hospitals would insure that the transfer occurring in FY 2007 would not reoccur during the 2008-2009 biennium.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$58.5	\$58.5	\$117.0
All Funds	\$0.0	\$0.0	\$0.0

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Totals

Exceptional Item # 22 Fund Hospital Financing for IGT

General Revenue funds are requested in lieu of intergovernmental transfers (IGTs) that were assumed in the baseline request from public hospitals as a revenue source to draw down federal funds.

In order to minimize the impact of required provider rate reductions in recent years, the agency was authorized to use IGTs - fund exchanges among or between different levels of government.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$26.3	\$26.4	\$52.6
All Funds			

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Totals

Exceptional Item # 23 State Funding for GME

This request would provide state funding to support Graduate Medical Education (GME) in teaching hospitals which operate approved medical residency training programs. These teaching hospitals provide physician training, care for the uninsured, conduct medical research, provide highly specialized services, and educate medical students, nurses and other healthcare professionals.

Medicaid GME payments recognize the higher cost incurred by teaching hospitals. Compared to non-teaching hospitals, teaching hospitals treat patients with more complex conditions and provide patient care that is more intensive and technologically sophisticated.

MOF (\$ in millions)	FY 2008	FY 2009	Totals
GR Related	\$40.5	\$40.5	\$81.0
All Funds	\$103.1	\$103.5	\$206.6

FTEs			N/A
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Program Impact	FY 2008	FY 2009	Totals

Appendix A-1



Keep Pace with Demographic Growth

FY 2008-2009 LAR

(dollars in millions)

Services	FY 2008			FY 2009			Biennium		
	Avg. Caseload ¹	GR (\$ millions)	AF (\$ millions)	Avg. Caseload ¹	GR (\$ millions)	AF (\$ millions)	Total Caseload	GR (\$ millions)	AF (\$ millions)
Community Based Alternatives (CBA)	327	\$2.3	\$5.7	981	\$6.8	\$16.6	1,308	\$9.1	\$22.3
Comm. Living Asst. & Supp. Svcs. (CLASS)	41	\$0.7	\$1.7	124	\$2.1	\$5.2	165	\$2.8	\$6.9
Medically Dep. Children's Program (MDCP)	28	\$0.7	\$1.7	83	\$2.1	\$5.2	111	\$2.8	\$6.9
Consolidated Waiver Program (CWP) ²	3	\$0.0	\$0.1	8	\$0.1	\$0.3	11	\$0.1	\$0.4
Deaf-Blind w/ Mult. Disab. Waiver (DBMD)	2	\$0.0	\$0.1	5	\$0.1	\$0.3	7	\$0.1	\$0.4
Non-Medicaid Services ³	557	\$1.3	\$1.3	1,671	\$3.8	\$3.8	2,228	\$5.1	\$5.1
In-Home & Family Support	47	\$0.1	\$0.1	140	\$0.2	\$0.2	187	\$0.3	\$0.3
Home and Community-Based Svcs. (HCS)	149	\$2.6	\$6.6	446	\$7.9	\$19.7	595	\$10.5	\$26.3
STAR+PLUS CBA (MAO Only)	35	\$0.4	\$0.9	104	\$1.0	\$2.6	139	\$1.4	\$3.5
Adult Community Mental Health	2,253	\$5.9	\$5.9	2,253	\$11.8	\$11.8	4,506	\$17.7	\$17.7
Child & Adolesc. Community Mental Health	307	\$1.6	\$1.6	307	\$3.1	\$3.1	614	\$4.7	\$4.7
Children with Special Health Care Needs (CSHCN)	55	\$0.8	\$0.8	55	\$1.6	\$1.6	110	\$2.4	\$2.4
Comprehensive Rehabilitative Services	19	\$0.6	\$0.6	17	\$0.6	\$0.6	36	\$1.2	\$1.2
Independent Living Services	71	\$0.3	\$0.3	102	\$0.3	\$0.3	173	\$0.6	\$0.6
Subtotal	3,894	\$17.3	\$27.4	6,296	\$41.5	\$71.3	10,190	\$58.8	\$98.7

Note: Revised 02-08-2007

¹ Average Caseload is an average monthly figure except for Adult Community Mental Health, Child and Adolescent Community Mental Health, Children with Special Health Care Needs, Comprehensive Rehabilitative Services, and Independent Living Services, for which Average Caseload is an annual figure.

² CWP draws from waiting/interest lists of five waiver programs: CBA, MDCP, HCS, DBMD, and CLASS.

³ Non-Medicaid Services include these Title XX and GR funded services: Family Care, Home Delivered Meals, Emergency Response, Adult Foster Care, Special Svcs. for Persons with Disabilities, Residential Care, Client Managed Attendant Care, and Title XX Day Activity & Health Services (DAHS). Waiting / interest List count is a duplicated count of these services.

Appendix A-2



FY 2008-2009 LAR

Reduce Waiting / Interest Lists

(dollars in millions)

Services	FY 2008			FY 2009			Biennium		
	Avg. Caseload ¹	GR (\$ millions)	AF (\$ millions)	Avg. Caseload ¹	GR (\$ millions)	AF (\$ millions)	Total Caseload	GR (\$ millions)	AF (\$ millions)
Community Based Alternatives (CBA)	671	\$4.8	\$11.7	2,014	\$13.9	\$34.0	2,685	\$18.7	\$45.7
Comm. Living Asst. & Supp. Svcs. (CLASS)	303	\$5.0	\$12.7	908	\$15.3	\$38.2	1,211	\$20.3	\$50.9
Medically Dep. Children's Program (MDCP)	214	\$5.2	\$13.1	643	\$16.1	\$40.0	857	\$21.3	\$53.1
Consolidated Waiver Program (CWP) ²	-	\$0.0	\$0.0	-	\$0.0	\$0.0	-	\$0.0	\$0.0
Deaf-Blind w/ Mult. Disab. Waiver (DBMD)	1	\$0.0	\$0.1	2	\$0.0	\$0.1	3	\$0.0	\$0.2
Non-Medicaid Services ³	221	\$0.5	\$0.5	662	\$1.5	\$1.5	883	\$2.0	\$2.0
In-Home & Family Support	377	\$0.7	\$0.7	1,130	\$1.8	\$1.8	1,507	\$2.5	\$2.5
Home and Community-Based Svcs. (HCS)	1,382	\$24.4	\$61.5	4,147	\$73.2	\$182.8	5,529	\$97.6	\$244.3
STAR+PLUS CBA (MAO Only)	158	\$1.6	\$3.9	475	\$4.7	\$11.8	633	\$6.3	\$15.7
Adult Community Mental Health	1,325	\$3.5	\$3.5	1,325	\$7.0	\$7.0	2,650	\$10.5	\$10.5
Child & Adolesc. Community Mental Health	144	\$0.7	\$0.7	144	\$1.5	\$1.5	288	\$2.2	\$2.2
Children with Special Health Care Needs (CSHCN)	524	\$3.8	\$3.8	524	\$7.6	\$7.6	1,048	\$11.4	\$11.4
Comprehensive Rehabilitative Services	91	\$3.1	\$3.1	92	\$3.2	\$3.2	183	\$6.3	\$6.3
Independent Living Services	458	\$1.5	\$1.5	458	\$1.5	\$1.5	916	\$3.0	\$3.0
Subtotal	5,869	\$54.8	\$116.8	12,524	\$147.3	\$331.0	18,393	\$202.1	\$447.8
Total Request	9,763	\$72.1	\$144.2	18,820	\$188.8	\$402.3	28,583	\$260.9	\$546.5

Note: Revised 02-08-2007

¹ Average Caseload is an average monthly figure except for Adult Community Mental Health, Child and Adolescent Community Mental Health, Children with Special Health Care Needs, Comprehensive Rehabilitative Services, and Independent Living Services, for wh

² CWP draws from waiting/interest lists of five waiver programs: CBA, MDCP, HCS, DBMD, and CLASS.

³ Non-Medicaid Services include these Title XX and GR funded services: Family Care, Home Delivered Meals, Emergency Response, Adult Foster Care, Special Svcs. for Persons with Disabilities, Residential Care, Client Managed Attendant Care, and Title XX Da

Appendix B1

Rate Histories and Rate Change Impacts

KEY - A - Access based
 B - Based on rates from other Medicaid programs
 BR - Blue Ribbon File of Claims Data
 CD - Percent of claims data - trend to FY 08/09
 CR - Cost Reports used for prospective rate - trend to FY 08/09
 CS - Cost Reports used for interim rate and cost settlement - trend to FY 08/09
 T - Trending from current rate to FY 08/09
 M - Based on Medicare rates
 PA - Pro forma analysis

Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
DADS									
Access and Intake - Mental Retardation Service Coordination	SFY 2002	2.00%	1.75%	0.00%	CS	0	0	0	0
Community Attendant Services	9/1/2000	1.20%	1.10%	1.10%	CR	3,742,208	1,470,688	4,056,264	1,587,216
Community Based Alternatives	9/1/2000	2.20%	1.10%	1.10%	CR	3,727,036	1,464,725	3,727,036	1,458,389
Community Living Assistance and Support Services	9/1/2002	0.04%	1.10%	0.00%	CR	1,283,740	504,510	1,291,456	505,347
Consolidated Waiver Program	9/1/2000	2.20%	1.10%	1.10%	B	39,317	15,452	39,317	15,385
Day Activity and Health Services - Title XIX	9/1/2002	1.30%	1.10%	1.10%	CR	979,600	384,983	1,013,306	396,507
Deaf-Blind Multiple Disabilities	9/1/2002	0.04%	1.10%	1.10%	B	72,493	28,490	72,493	28,366
Home and Community-based Services	9/1/1998 - all services; 9/1/2001 - services with direct care level staff and foster care	9/1/1998 - 1.25%; 9/1/2001 - various from decrease of 4.4% to increase of 3.23%	1.10%	0.00%	CR	4,816,216	1,892,773	4,816,216	1,884,585
Hospice Payments (NF Related Only)	1/1/2006	11.75%	1.75%	1.75%	B	1,673,358	657,630	1,821,998	712,948

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Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
DADS (continued)									
Intermediate Care Facilities - Mental Retardation	9/1/2001 and 11/1/2001	varied between 10% and 13% total increase	1.75%	0.00%	CR	3,426,271	1,346,525	3,426,271	1,340,700
Medically Dependent Children Program	1998	NA	1.10%	1.10%	B	391,805	153,979	391,805	153,313
MR State Schools Services	9/1/2005	7.50%	0.00%	0.00%	CS	Increased Operating Costs Included in DADS LAR			
Non-Medicaid Services - Title XX	9/1/2000	various	0.00%	0.00%	CR	736,760	736,760	736,760	736,760
Nursing Facility	1/1/2006	11.75%	1.75%	1.75%	CR	22,521,880	8,851,099	22,465,540	8,790,766
Primary Home Care	9/1/2000	1.20%	1.10%	1.10%	CR	3,896,804	1,531,444	3,993,880	1,562,805
Program of All-inclusive Care for the Elderly	1/1/2006	various	NA	NA	CD	293,387	115,301	293,387	114,802
Promoting Independence Services	9/1/2000	various	1.10%	1.10%	B	903,458	355,059	966,552	378,212
Texas Home Living Waiver	3/1/2004 rates based on HCS	0.00%	0.00%	0.00%	B	119,976	47,150	119,976	46,946
Total DADS						48,624,309	19,556,567	49,232,257	19,713,048
DARS									
ECI - Case Mgmt.	FY 2000	0.00%	0.00%	0.00%	CR	0	0	0	0
ECI - Development Rehab Svcs.	4/4/2003	63.00%	0.00%	0.00%	CR	0	0	0	0
Total DARS						0	0	0	0

Appendix B1

Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
DFPS									
24-Hr. Residential Child Care (Foster Care)	9/1/2005	2.78%	0.00%	0.00%	CR	4,398,424	1,615,197 See note 1	4,703,686	1,734,683 See note 2
Total DFPS						4,398,424	1,615,197	4,703,686	1,734,683

DSHS									
Children with Special Health Care Needs (CSHCN) - Outpatient Hospital	NA	NA	0.00%	0.00%	B	32,319	32,319	44,058	44,058
CSHCN - Ambulance Services	9/1/1999	1.50%	2.50%	0.00%	B	909	909	1,676	1,676
CSHCN - ASCs/HASCs	9/1/1995	Changed to Fee Schedule	0.00%	0.00%	B	2,155	2,155	2,558	2,558
CSHCN - Dental Services	FY 2001	13.50%	2.50%	0.00%	B	4,307	4,307	5,211	5,211
CSHCN - Drugs/Biological Fees	FY 2000	-2.80%	0.00%	0.00%	B	97,037	97,037	111,437	111,437
CSHCN - Durable Medical Equipment, Prosthetics, Orthotics, Supplies (DMEPOS)	FY 2003	Varies	0.00%	0.00%	B	30,643	30,643	36,252	36,252
CSHCN - Home Health Agencies (Therapies)	11/1/2002	Change to Statewide Visit Rate	2.50%	0.00%	B	54	54	64	64
CSHCN - Inpatient Hospital - SDA Inflation Only	9/1/2001	13.87%	5.00%	0.00%	B	131,040	131,040	168,331	168,331
CSHCN - Inpatient Hospital Rebasing	9/1/2001	13.87%	5.00%	0.00%	B	131,040	131,040	174,097	174,097

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Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
DSHS (continued)									
CSHCN - Meals, Transportation, Lodging	NA	NA	2.50%	0.00%	Cost	13,514	13,514	15,446	15,446
CSHCN - Physician/ Professional Services	9/1/1999	1.50%	2.50%	0.00%	B	55,126	55,126	60,638	60,638
CSHCN - Private Duty Nursing	9/15/1993	32.00%	2.50%	0.00%	B	5,173	5,173	9,681	9,681
Family Planning - DMEPOS	FY 2003	Varies	0.00%	0.00%	B	3,644	3,644	4,072	4,072
Family Planning - Drugs/Biologicals	FY 2000	-2.80%	0.00%	0.00%	B	65,088	65,088	67,626	67,626
Family Planning - FQHCs	Provider FYE 2006	Medicare Economic Index (MEI) or MEI+1.5%	0.00%	0.00%	B	12,563	12,563	13,605	13,605
Family Planning - Maternity Service Clinics	9/1/1999	1.50%	2.50%	0.00%	B	25,098	25,098	39,819	39,819
Family Planning - Outpatient Hospital	NA	NA	2.50%	0.00%	B	904	904	962	962
Family Planning - Physician Services	9/1/1999	1.50%	2.50%	0.00%	B	483,558	483,558	502,417	502,417
Family Planning - RHCs	Provider FYE 2006	Medicare Economic Index (MEI) or MEI+1.5%	0.00%	0.00%	B	213	213	231	231
Institutions for Mental Disease	9/1/2002	5.35%	0.00%	0.00%	CR	42,861	16,844	43,132	16,877
Maternal and Child Health - Genetics	9/1/1999	1.50%	0.00%	0.00%	B	14,152	14,152	18,236	18,236
Maternal and Child Health - Physician Services	9/1/1999	1.50%	2.50%	0.00%	B	130,636	130,636	143,700	143,700

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Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
DSHS (continued)									
MH Rehabilitative Services	8/31/2004	Converted to Program Resiliency and Disease Management	1.75%	0.00%	CS	35,952	14,129	37,457	14,657
MH Targeted Case Management	8/31/2004	Converted to Program Resiliency and Disease Management	0.00%	0.00%	CS	116,879	45,934	125,896	49,263
NorthSTAR -- Medicaid Clinical Laboratory Fees - Independent Laboratories	FY 2002	NA	2.50%	0.00%	C	1,616	635	2,144	839
NorthSTAR -- Medicaid Inpatient Hospital -- Inflation only	9/1/2001	13.87%	5.00%	0.00%	BR	92,066	36,182	95,104	37,214
NorthSTAR -- Medicaid Inpatient Hospital -- Rebasing	9/1/2001	13.87%	5.00%	0.00%	BR	92,066	36,182	95,104	37,214
NorthSTAR -- MH Rehabilitative Services	8/31/2004	Converted to Program Resiliency and Disease Management	0.00%	0.00%	CS	207,937	81,719	216,641	84,772
NorthSTAR -- MH Targeted Case Management	8/31/2004	Converted to Program Resiliency and Disease Management	0.00%	0.00%	CS	57,225	22,489	61,639	24,120

Appendix B1

Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
NorthStar - Physician/ Professional Services	9/1/1999	1.50%	2.50%	0.00%	B	85,567	33,628	85,567	33,482
Total DSHS						1,971,341	1,526,914	2,182,804	1,718,557

HHSC									
Ambulance Services	9/1/1999	1.50%	2.50%	0.00%	M	737,136	289,694	765,884	299,691
Ambulatory Surgical Center/Hospital Ambulatory Surgical Center	9/1/1995	Changed to Fee Schedule	2.50%	0.00%	M	2,857,569	1,123,025	2,918,825	1,142,136
Birthing Centers	9/1/1992	Changed to Fee Schedule	2.50%	0.00%	CD	5,355	2,105	5,578	2,183
Children & Pregnant Women - Case Management	1/1/1998	NA	2.50%	0.00%	B	16,330	6,418	17,465	6,834
CHIP (including perinate)	9/1/2006	10.70%	2.50%	0.00%	T	7,036,211	2,150,239	7,812,845	2,360,757
CHIP Dental	5/1/2006	New Contract	NA	NA	T	464,166	127,692	469,092	130,126
Clinical Lab. Fees - DSHS Lab - EPSDT	4/1/2006	28.00%	0.00%	0.00%	CS	4,739	1,863	6,199	2,426
Clinical Lab. Fees - DSHS Lab Newborn Screening	4/1/2006	6.00%	0.00%	0.00%	CS	1,667	655	1,808	708
Clinical Lab. Fees - Independent Labs.	FY 2002	NA	2.50%	0.00%	CD	1,227,628	482,458	1,628,821	637,358
Dental Services - THSteps - CCP	FY 2001	13.50%	2.50%	0.00%	A,CD	5,235,539	2,057,567	5,759,093	2,253,533
Drugs/Biological Fees	FY 2000	-2.80%	0.00%	0.00%	A,CD	714,490	280,794	725,524	283,898
Durable Medical Equipment, Prosthetics, Orthotics, Supplies	FY 2003	Various	0.00%	0.00%	CD	2,319,725	911,652	2,908,312	1,138,022

Appendix B1

Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
HHSC (continued)									
Federally Qualified Health Centers	Provider FYE 2006	Medicare Economic Index (MEI) or MEI+1.5%	0.00%	0.00%	CS	1,266,858	497,875	1,281,025	501,265
Genetic Services	9/1/1999	1.50%	2.50%	0.00%	CD	37,059	14,564	43,411	16,987
Home Health Services	11/1/2002	Change to Statewide Visit Rate	2.50%	0.00%	A,CD	1,280,356	503,180	1,391,321	544,424
Inpatient Hospital - SDA Inflation Only	9/1/2001	13.87%	5.00%	0.00%	BR	49,195,197	19,333,713	50,818,639	19,885,333
Inpatient Hospital - SDA Rebasing	9/1/2001	13.87%	5.00%	0.00%	BR	40,112,610	15,764,256	41,436,326	16,214,034
Maternity Centers	9/1/1999	1.50%	2.50%	0.00%	M	3,565	1,401	5,291	2,070
Outpatient Hospital	NA	NA	2.50%	0.00%	CD	4,771,181	1,875,074	5,177,059	2,025,783
Personal Care Services / THSteps-CCP	New service to begin 09/01/07 (Alberto N.)		0.00%	0.00%	B	817,833	321,408	836,622	327,370
Physician & Professional Services	9/1/1999	1.50%	2.50%	0.00%	CD	22,486,940	8,837,367	23,363,933	9,142,307
Private Duty Nursing/THSteps - CCP	9/15/1993	32.00%	2.50%	0.00%	B	1,552,201	610,015	1,957,593	766,006
Renal Dialysis Facilities	9/1/1999	NA	2.50%	0.00%	CD	296,111	116,372	298,285	116,719
Rural Health Clinics	FYE 2006	Medicare Economic Index (MEI) or MEI+1.5%	0.00%	0.00%	CD	1,269,298	498,834	1,292,505	505,757
STAR+PLUS -- Community Based Alternatives	9/1/2000	2.20%	1.10%	1.10%	B	1,902,274	747,594	2,061,432	806,638

Appendix B1

Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
HHSC (continued)									
STAR+PLUS -- Day Activity and Health Services	9/1/2002	1.30%	1.10%	1.10%	B	38,988	15,322	42,250	16,532
STAR+PLUS -- Primary Home Care	9/1/2000	1.20%	1.10%	1.10%	B	5,531,535	2,173,893	5,994,341	2,345,586
TB Clinics	9/1/1996	NA	0.00%	0.00%	CD	948	373	998	390
Total HHSC						151,183,509	58,745,402	159,020,476	61,474,873
Vendor Drug Dispensing Fees	FY 1997	15.82%	2.50%	0.00%	PA	The incremental cost of a \$1 increase in the dispensing fee per prescription dispensed for FY 2008 is \$27,485,420 and for FY 2009 is \$28,759,622 All Funds. The impact of this increase is not included in the totals shown above for HHSC or below for HHS.			
Total HHS						206,177,582	81,444,080	215,139,223	84,641,162

note 1 \$ 10,938,648 If TANF funding is available, up to \$4,494,010 of this amount is eligible for TANF funding the remaining \$6,444,638 must be GR

note 2 \$ 11,669,020 If TANF funding is available, up to \$4,801,735 of this amount is eligible for TANF funding the remaining \$6,867,285 must be GR

Appendix B2

Program by Budget Agency	Percentage Rate Change		Estimated Cost of Rate Change				Estimated Biennial Cost of Rate Change	
	2008	2009	2008		2009		AF	GR
			AF	GR	AF	GR		
DADS								
Access and Intake - Mental Retardation Service Coordination	0.00%	0.00%	0	0	0	0	0	0
Community Attendant Services	15.24%	15.24%	57,031,244	22,413,279	61,817,465	24,189,174	118,848,709	46,602,453
Community Based Alternatives	16.90%	16.90%	62,986,913	24,753,857	62,986,913	24,646,779	125,973,826	49,400,636
Community Living Assistance and Support Services	11.30%	11.30%	14,506,258	5,700,959	14,593,450	5,710,417	29,099,708	11,411,376
Consolidated Waiver Program	10.40%	10.40%	408,897	160,697	408,897	160,001	817,794	320,698
Day Activity and Health Services - Title XIX	5.00%	5.00%	4,898,002	1,924,915	5,066,531	1,982,534	9,964,533	3,907,448
Deaf-Blind Multiple Disabilities	10.50%	10.50%	761,174	299,141	761,174	297,847	1,522,348	596,989
Home and Community-based Services	9.56%	9.56%	46,028,580	18,093,835	46,028,580	18,001,778	92,057,160	36,095,613
Hospice Payments (NF Related Only)	19.38%	19.38%	32,429,672	12,744,861	35,310,327	13,816,931	67,739,999	26,561,792
Intermediate Care Facilities - Mental Retardation	21.59%	21.59%	73,957,024	29,065,110	73,957,024	28,939,383	147,914,048	58,004,494
Medically Dependent Children Program	29.90%	29.90%	11,714,960	4,603,979	11,714,960	4,584,064	23,429,920	9,188,043
MR State Schools Services	Increased Operating Costs Included in DADS LAR							
Non-Medicaid Services - Title XX	16.74%	16.74%	12,333,368	12,333,368	12,333,368	12,333,368	24,666,736	24,666,736
Nursing Facility	19.38%	19.38%	436,474,039	171,534,297	435,382,162	170,365,040	871,856,201	341,899,337
Primary Home Care	15.33%	15.33%	59,737,999	23,477,034	61,226,180	23,957,804	120,964,179	47,434,838
Program of All-inclusive Care for the Elderly	4.45%	4.45%	1,305,571	513,089	1,305,571	510,870	2,611,142	1,023,959
Promoting Independence Services	17.31%	17.31%	15,638,864	6,146,074	16,731,012	6,546,845	32,369,876	12,692,919

Appendix B2

Program by Budget Agency	Percentage Rate Change		Estimated Cost of Rate Change				Estimated Biennial Cost of Rate Change	
	2008	2009	2008		2009		AF	GR
			AF	GR	AF	GR		
DADS (continued)								
Texas Home Living Waiver	27.12%	27.12%	3,252,465	1,278,544	3,252,465	1,272,039	6,504,930	2,550,583
Total DADS			833,465,030	335,043,039	842,876,079	337,314,875	1,676,341,109	672,357,914

DARS								
ECI - Case Mgmt.	0.00%	0.00%	0	0	0	0	0	0
ECI - Development Rehab Svcs.	0.00%	0.00%	0	0	0	0	0	0
Total DARS			0	0	0	0	0	0

DFPS								
24-Hr. Residential Child Care (Foster Care)	3.99%	3.99%	17,549,710	6,444,638	18,767,707	6,921,387	36,317,417	13,366,025 See note 3
Total DFPS			17,549,710	6,444,638	18,767,707	6,921,387	36,317,417	13,366,025

DSHS								
Children with Special Health Care Needs (CSHCN) - Outpatient Hospital	23.93%	23.93%	773,394	773,394	1,054,314	1,054,314	1,827,708	1,827,708
CSHCN - Ambulance Services	167.68%	167.68%	152,364	152,364	281,032	281,032	433,396	433,396
CSHCN - ASCs/HASCs	7.95%	7.95%	17,129	17,129	20,340	20,340	37,469	37,469
CSHCN - Dental Services	10.00%	10.00%	43,068	43,068	52,113	52,113	95,181	95,181
CSHCN - Drugs/Biological Fees	4.40%	4.40%	426,962	426,962	490,323	490,323	917,285	917,285

Appendix B2

Program by Budget Agency	Percentage Rate Change		Estimated Cost of Rate Change				Estimated Biennial Cost of Rate Change	
	2008	2009	2008		2009		AF	GR
			AF	GR	AF	GR		
DSHS (continued)								
CSHCN - Durable Medical Equipment, Prosthetics, Orthotics, Supplies (DMEPOS)	7.55%	7.55%	231,356	231,356	273,705	273,705	505,061	505,061
CSHCN - Home Health Agencies (Therapies)	8.41%	8.41%	450	450	537	537	987	987
CSHCN - Inpatient Hospital - SDA Inflation Only	16.78%	16.78%	2,198,851	2,198,851	2,824,600	2,824,600	5,023,451	5,023,451
CSHCN - Inpatient Hospital Rebasing	20.78%	20.78%	2,723,011	2,723,011	3,617,738	3,617,738	6,340,749	6,340,749
CSHCN - Meals, Transportation, Lodging	3.90%	3.90%	52,706	52,706	60,238	60,238	112,944	112,944
CSHCN - Physician/ Professional Services	2.50%	5.00%	137,814	137,814	303,190	303,190	441,004	441,004
CSHCN - Private Duty Nursing	70.15%	70.15%	362,864	362,864	679,154	679,154	1,042,018	1,042,018
Family Planning - DMEPOS	7.55%	7.55%	27,510	27,510	30,741	30,741	58,251	58,251
Family Planning - Drugs/Biologicals	645.71%	645.71%	42,027,843	42,027,843	43,666,929	43,666,929	85,694,772	85,694,772
Family Planning - FQHCs	4.23%	4.23%	53,143	53,143	57,551	57,551	110,694	110,694
Family Planning - Maternity Service Clinics	52.70%	52.70%	1,322,655	1,322,655	2,098,462	2,098,462	3,421,117	3,421,117
Family Planning - Outpatient Hospital	23.93%	23.93%	21,634	21,634	23,016	23,016	44,650	44,650
Family Planning - Physician Services	2.50%	5.00%	1,208,895	1,208,895	2,512,084	2,512,084	3,720,979	3,720,979
Family Planning - RHCs	4.23%	4.23%	902	902	977	977	1,879	1,879
Institutions for Mental Disease	10.06%	10.06%	431,184	169,455	433,906	169,788	865,090	339,243
Maternal and Child Health - Genetics	17.14%	17.14%	242,570	242,570	312,561	312,561	555,131	555,131

Appendix B2

Program by Budget Agency	Percentage Rate Change		Estimated Cost of Rate Change				Estimated Biennial Cost of Rate Change	
	2008	2009	2008		2009		AF	GR
			AF	GR	AF	GR		
DSHS (continued)								
Maternal and Child Health - Physician Services	2.50%	5.00%	326,590	326,590	718,499	718,499	1,045,089	1,045,089
MH Rehabilitative Services	0.93%	0.93%	334,357	131,402	348,353	136,311	682,710	267,713
MH Targeted Case Management	106.17%	106.17%	12,409,064	4,876,762	13,366,409	5,230,276	25,775,473	10,107,038
NorthSTAR -- Medicaid Clinical Laboratory Fees - Independent Laboratories	15.80%	15.80%	25,532	10,034	33,876	13,256	59,407	23,289
NorthSTAR -- Medicaid Inpatient Hospital -- Inflation only	16.78%	16.78%	1,544,867	607,133	1,595,847	624,455	3,140,714	1,231,588
NorthSTAR -- Medicaid Inpatient Hospital -- Rebasing	20.78%	20.78%	1,913,131	751,860	1,976,264	773,312	3,889,395	1,525,172
NorthSTAR -- MH Rehabilitative Services	0.93%	0.93%	193,381	75,999	201,476	78,838	394,858	154,837
DSHS (continued)								
NorthSTAR -- MH Targeted Case Management	106.17%	106.17%	6,075,539	2,387,687	6,544,260	2,560,769	12,619,800	4,948,456
NorthStar - Physician/ Professional Services	2.50%	5.00%	213,918	84,070	427,836	167,412	641,754	251,482
Total DSHS			75,492,684	61,446,113	84,006,331	68,832,519	159,499,015	130,278,633

Appendix B2

Program by Budget Agency	Percentage Rate Change		Estimated Cost of Rate Change				Estimated Biennial Cost of Rate Change	
	2008	2009	2008		2009		AF	GR
			AF	GR	AF	GR		
HHSC								
Ambulance Services	167.68%	167.68%	123,602,962	48,575,964	128,423,477	50,252,107	252,026,439	98,828,071
Ambulatory Surgical Center/Hospital Ambulatory Surgical Center	7.95%	7.95%	22,717,673	8,928,046	23,204,658	9,079,983	45,922,331	18,008,028
Birthing Centers	18.75%	18.75%	100,415	39,463	104,581	40,923	204,996	80,386
Children & Pregnant Women - Case Management	60.99%	60.99%	995,982	391,421	1,065,203	416,814	2,061,185	808,235
CHIP (including perinate)	Trend	Trend						
CHIP Dental								
Clinical Lab. Fees - DSHS Lab - EPSDT	30.08%	30.08%	142,559	56,026	186,468	72,965	329,027	128,991
Clinical Lab. Fees - DSHS Lab Newborn Screening	8.48%	8.48%	14,137	5,556	15,336	6,001	29,473	11,557
Clinical Lab. Fees - Independent Labs.	15.80%	15.80%	19,396,519	7,622,832	25,735,371	10,070,251	45,131,890	17,693,083
Dental Services - THSteps - CCP	10.00%	10.00%	52,355,388	20,575,667	57,590,927	22,535,330	109,946,315	43,110,997
Drugs/Biological Fees	4.40%	4.40%	3,143,754	1,235,495	3,192,307	1,249,150	6,336,061	2,484,645
Durable Medical Equipment, Prosthetics, Orthotics, Supplies	7.55%	7.55%	17,513,920	6,882,971	21,957,754	8,592,069	39,471,674	15,475,040
Federally Qualified Health Centers	4.23%	4.23%	5,358,811	2,106,013	5,418,735	2,120,351	10,777,546	4,226,364
Genetic Svcs.	17.14%	17.14%	635,189	249,629	744,060	291,151	1,379,249	540,780
Home Health Services	8.41%	8.41%	10,767,793	4,231,743	11,701,009	4,578,605	22,468,802	8,810,347
Inpatient Hospital - SDA Inflation Only	16.78%	16.78%	825,495,412	324,419,697	852,736,761	333,675,894	1,678,232,172	658,095,591
Inpatient Hospital - SDA Rebasing	20.78%	20.78%	833,540,040	327,581,236	861,046,861	336,927,637	1,694,586,900	664,508,872

Appendix B2

Program by Budget Agency	Percentage Rate Change		Estimated Cost of Rate Change				Estimated Biennial Cost of Rate Change	
	2008	2009	2008		2009		AF	GR
			AF	GR	AF	GR		
HHSC (continued)								
Maternity Centers	52.70%	52.70%	187,870	73,833	278,827	109,105	466,697	182,938
Outpatient Hospital	23.93%	23.93%	114,174,354	44,870,521	123,887,020	48,476,991	238,061,374	93,347,512
Personal Care Services / THSteps-CCP	46.05%	46.05%	37,661,211	14,800,856	38,526,444	15,075,398	76,187,655	29,876,253
Physician & Professional Services	2.50%	5.00%	56,217,350	22,093,419	116,819,667	45,711,536	173,037,017	67,804,954
Private Duty Nursing/THSteps - CCP	70.15%	70.15%	108,886,884	42,792,545	137,325,117	53,735,318	246,212,001	96,527,864
Renal Dialysis Facilities	6.01%	6.01%	1,779,628	699,394	1,792,693	701,481	3,572,321	1,400,875
Rural Health Clinics	4.23%	4.23%	5,369,130	2,110,068	5,467,295	2,139,353	10,836,425	4,249,421
STAR+PLUS -- Community Based Alternatives	16.90%	16.90%	32,148,437	12,634,336	34,838,195	13,632,186	66,986,632	26,266,522
STAR+PLUS -- Day Activity and Health Services	5.00%	5.00%	597,687	234,891	647,694	253,443	1,245,381	488,334
STAR+PLUS -- Primary Home Care	15.33%	15.33%	27,657,675	10,869,466	29,971,705	11,727,928	57,629,379	22,597,394
TB Clinics	3.51%	3.51%	3,327	1,308	3,502	1,370	6,829	2,678
Total HHSC			2,300,464,107	904,082,394	2,482,681,667	971,473,336	4,783,145,774	1,875,555,730
Vendor Drug Dispensing Fees	The incremental cost of a \$1 increase in the dispensing fee per prescription dispensed for FY 2008 is \$27,485,420 and for FY 2009 is \$28,759,622. The impact of this increase is not included in the totals shown below above for HHSC or below for HHS.							
Total HHS			3,226,971,531	1,307,016,185	3,428,331,784	1,384,542,117	6,655,303,315	2,691,558,302

note 3 If TANF funding is available, up to \$2,328,647 of this amount is eligible for TANF funding the remaining \$3,335,417 must be General Revenue

Appendix C-1

CHIP and Medicaid Policy Change Impacts: Fiscal Years 2008 - 2009 February 2007 Forecast			
Policy	<i>Caseload Increase</i>		<i>Biennial Cost Increase (General Revenue)</i>
	FY 2008	FY 2009	
CHIP			
12 Month Continuous Eligibility -- Costs to CHIP Program ONLY	31,773	109,789	\$78,323,645
12 Month Continuous Eligibility, Net Cost with Medicaid Displacement Savings			\$44,554,822
Discontinuation of Assets Test	20,739	25,355	\$24,887,967
Reinstatement of Income Disregards	4,641	5,916	\$5,482,307
Removal of 90-day Wait (for most clients)	14,418	11,682	\$13,812,635
All CHIP Policies Combined, Net Cost with Medicaid Displacement Savings	68,088	140,758	\$81,018,492

Medicaid	FY 2008	FY 2009	Biennial GR Cost
12 Month Continuous Eligibility	84,052	302,666	\$284,038,986

**Note: All CHIP policies combined have a lower cost than the sum of each individual policy.*

All costs are client-services costs only, and do not include administrative costs. All costs are general revenue.

Net Cost, with Medicaid Displacement Savings represents the overall cost of the program, subtracting the cost difference of serving children in Medicaid from the cost to continue their term of coverage in CHIP. These are the clients who, at the end of a 6-month term of coverage, would be determined Medicaid eligible, but remain in CHIP under the 12-month term of coverage.

There is a "savings" due to the higher match rate in CHIP.