

Overview of Major Health and Human Services Issues



Prepared for the House Committee on
Human Services
January 31, 2001

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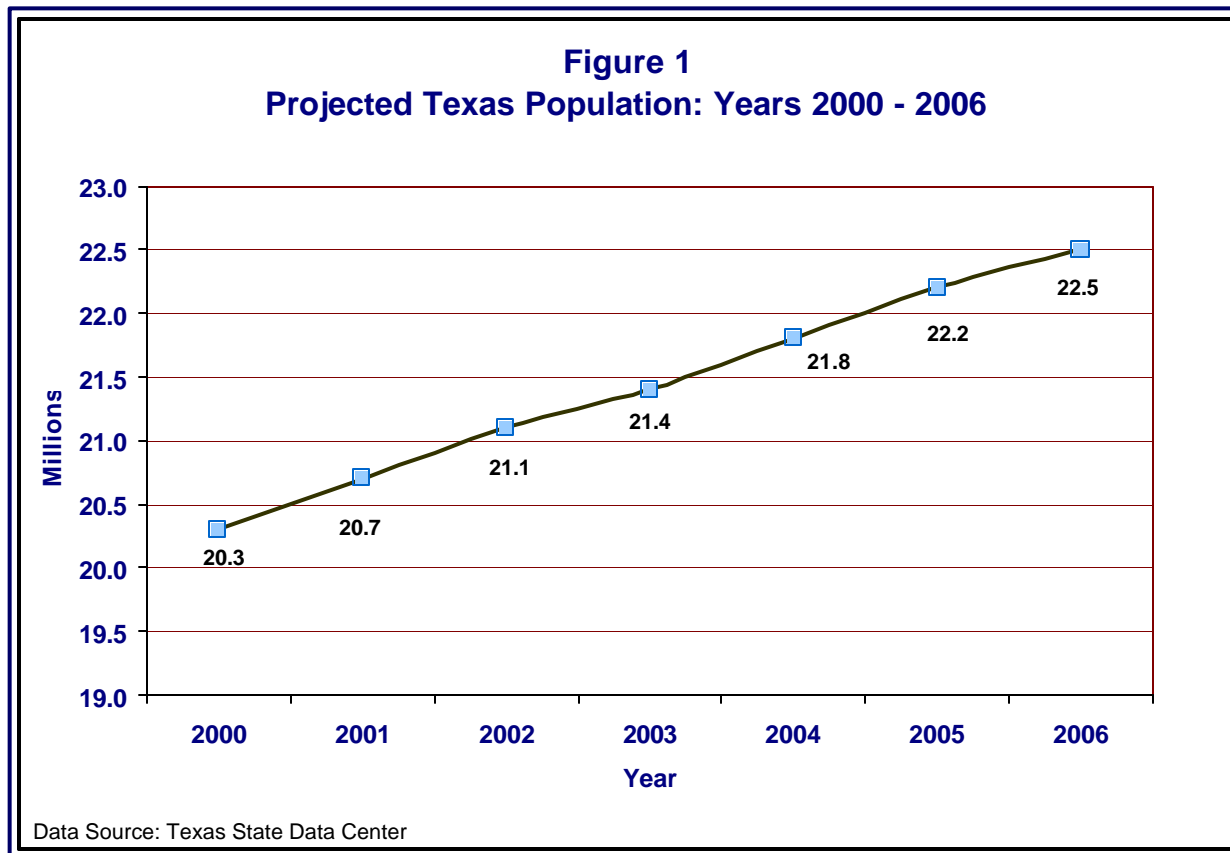
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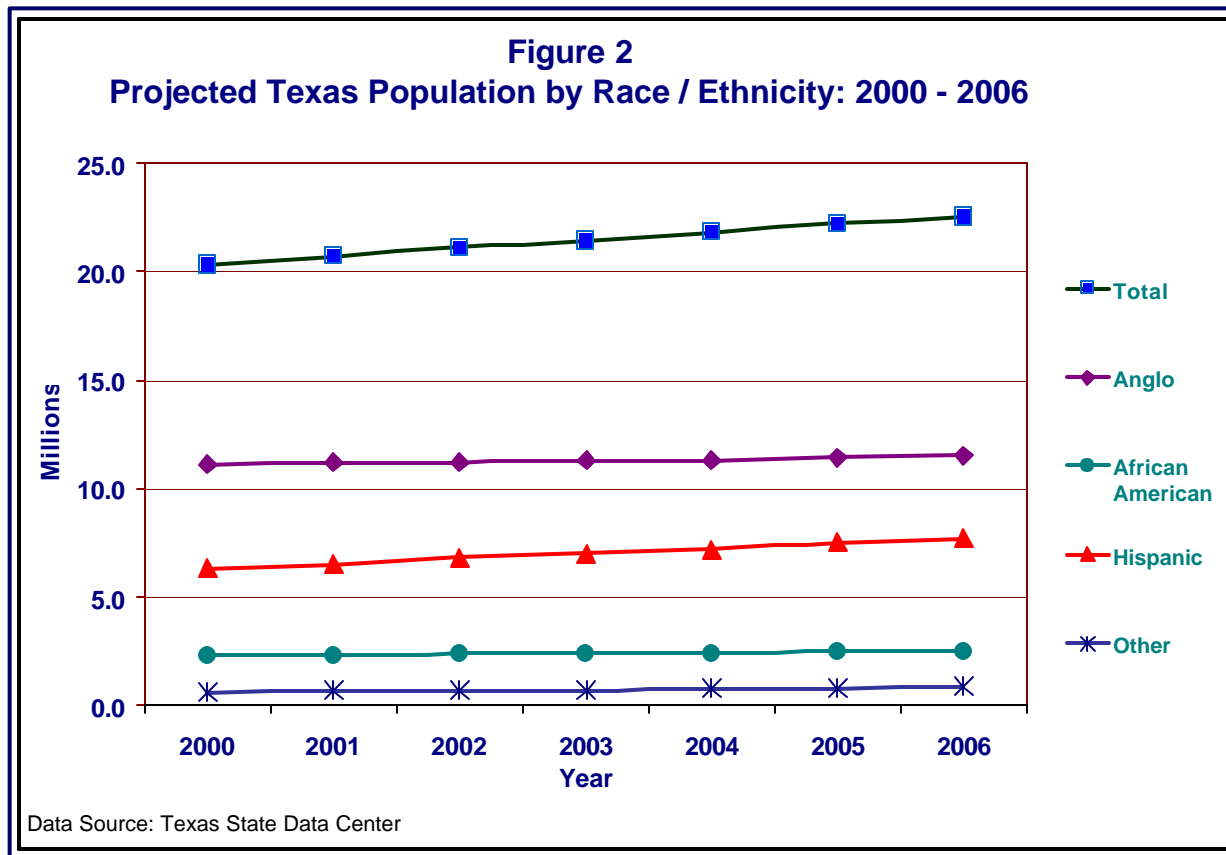
Changing Demographics

Texas Population

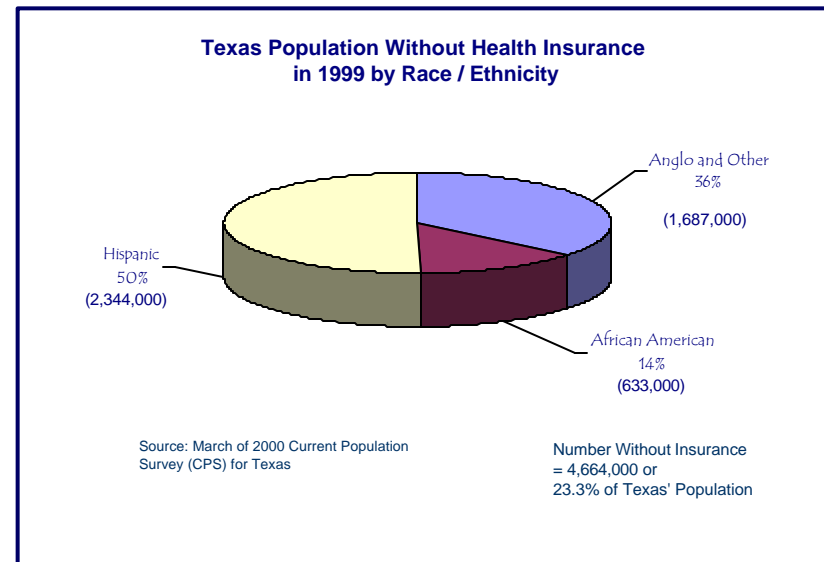
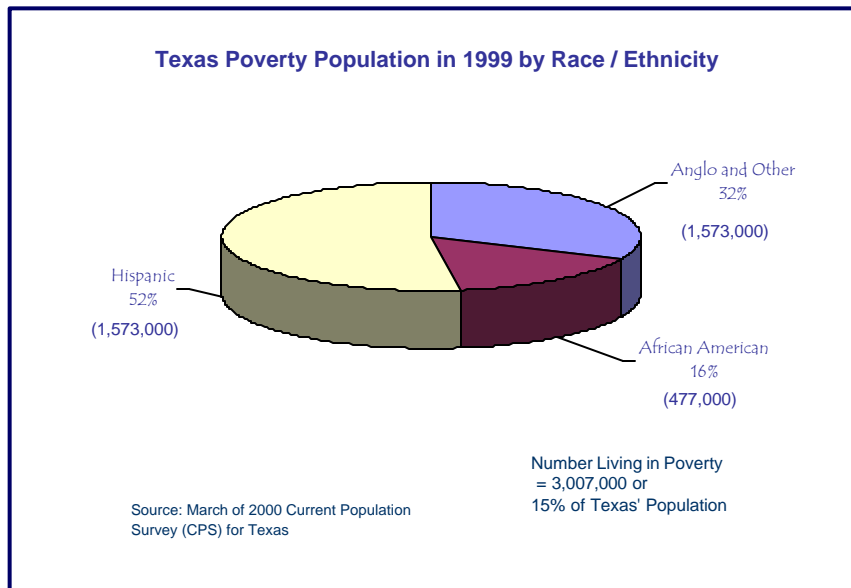
- ▶ Since 1990 the population of Texas has grown by about 3.6 million, or 20 percent.



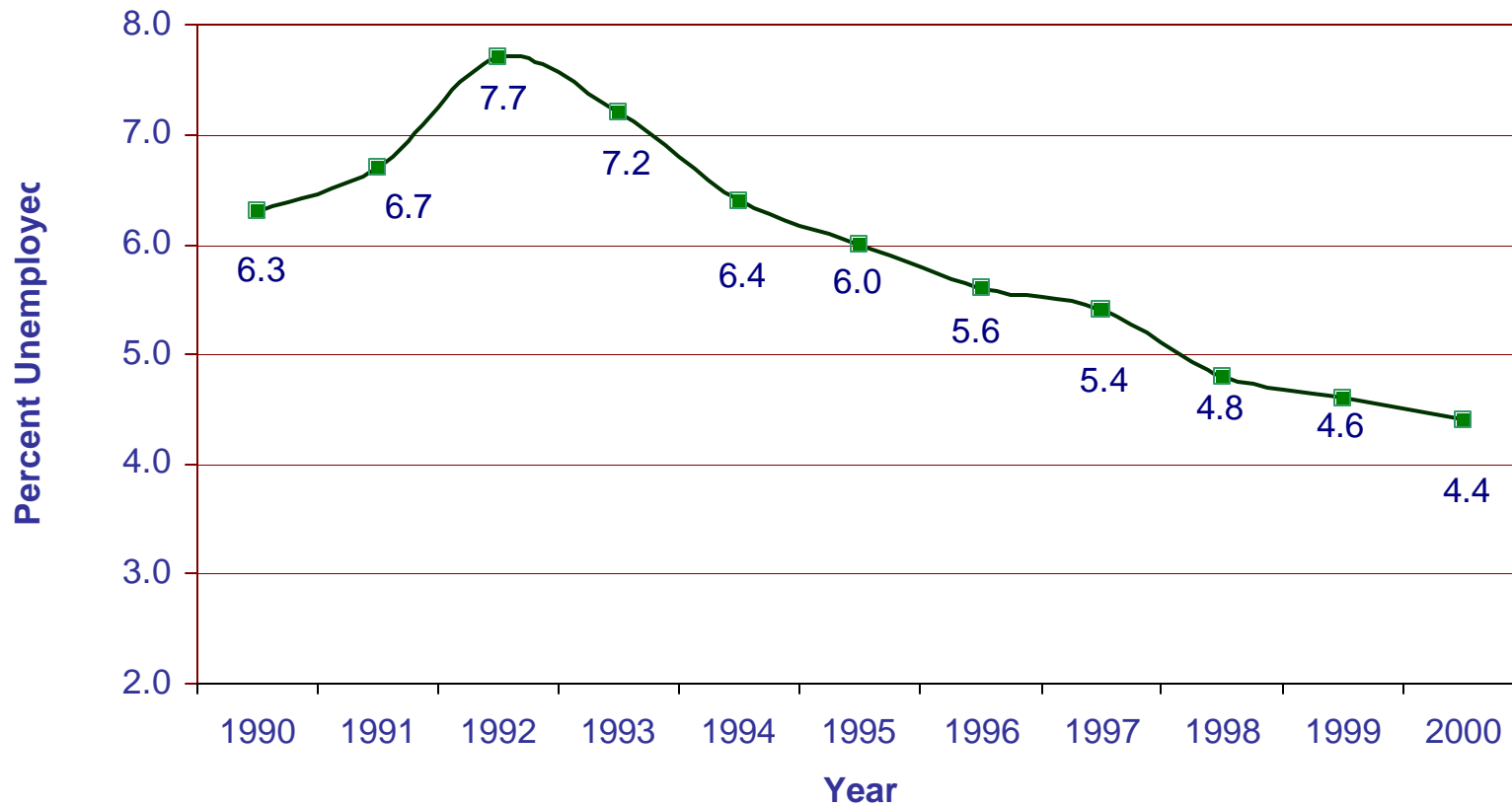
- ▶ Between the years 2000 and 2006, the growth of the Hispanic, African American and other race/ethnic populations may account for about 84 percent of the total population growth.



- ▶ Non-Anglo populations, in particular African Americans and Hispanics, comprise a large segment of the total population living in poverty and without health insurance coverage.



Texas Average Monthly Rate of Unemployment: Years 1990-2000



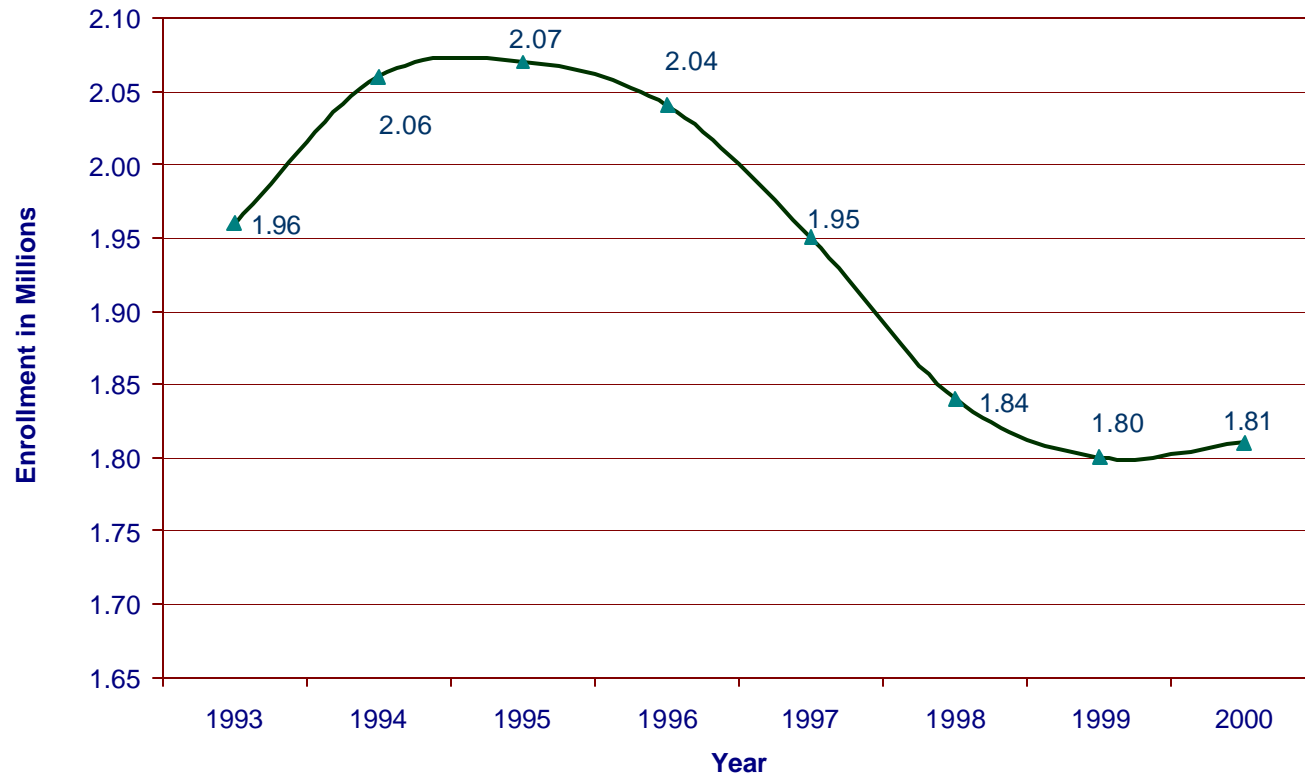
Source: Texas Workforce Commission

Medicaid

Medicaid Trends

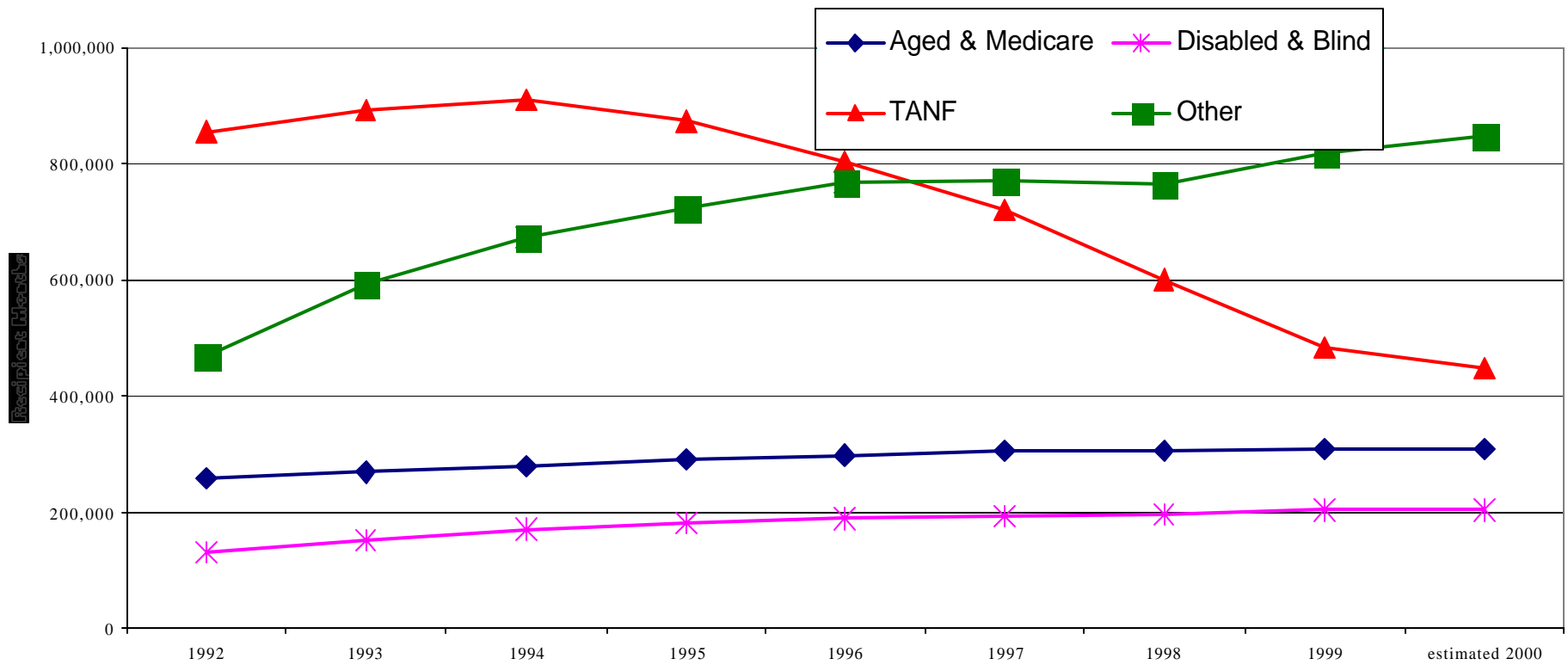
Medicaid Enrollment

**Figure 2.4: Medicaid Monthly Average Enrollment,
Calendar Years 1993 - 2000**

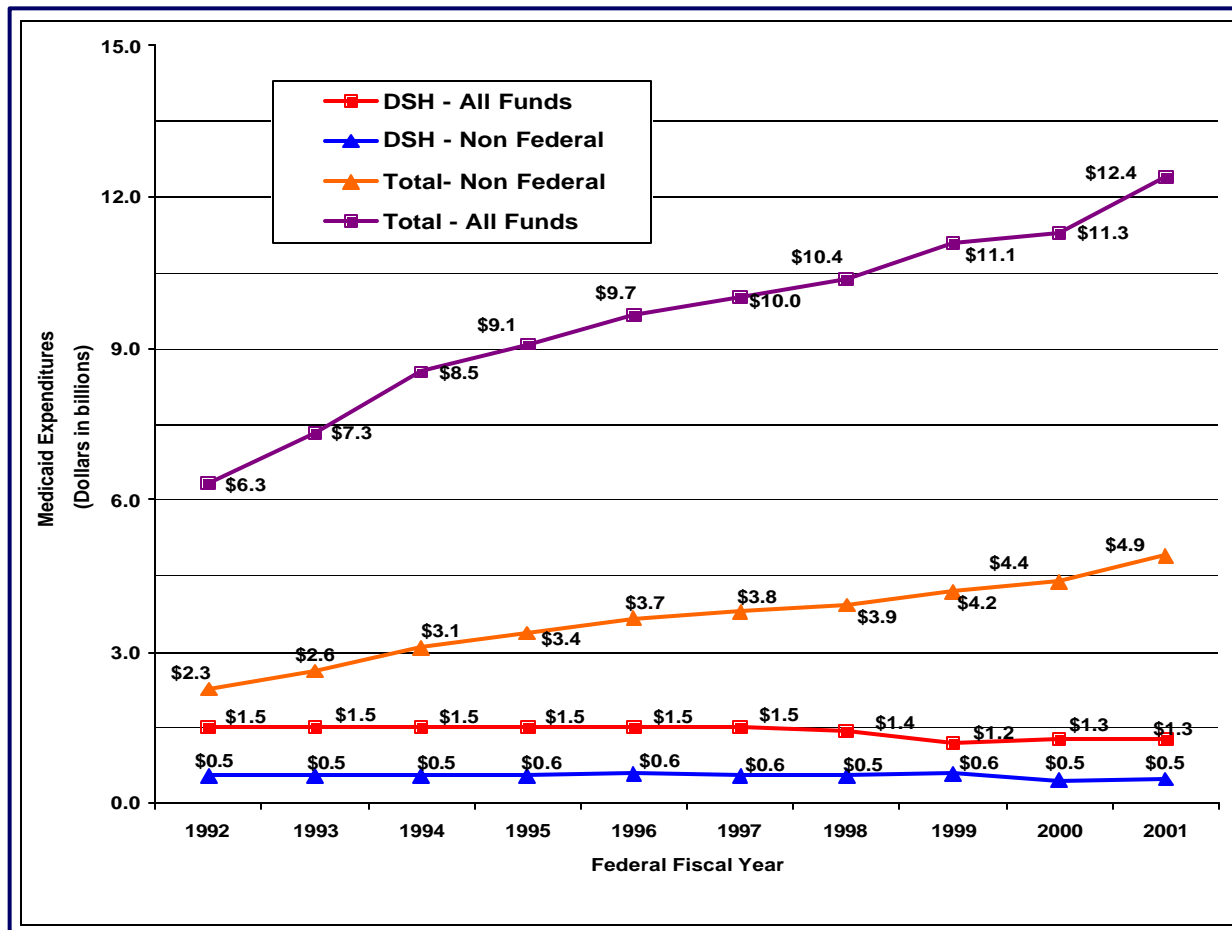


Source: HHSC Quarterly Caseload Report

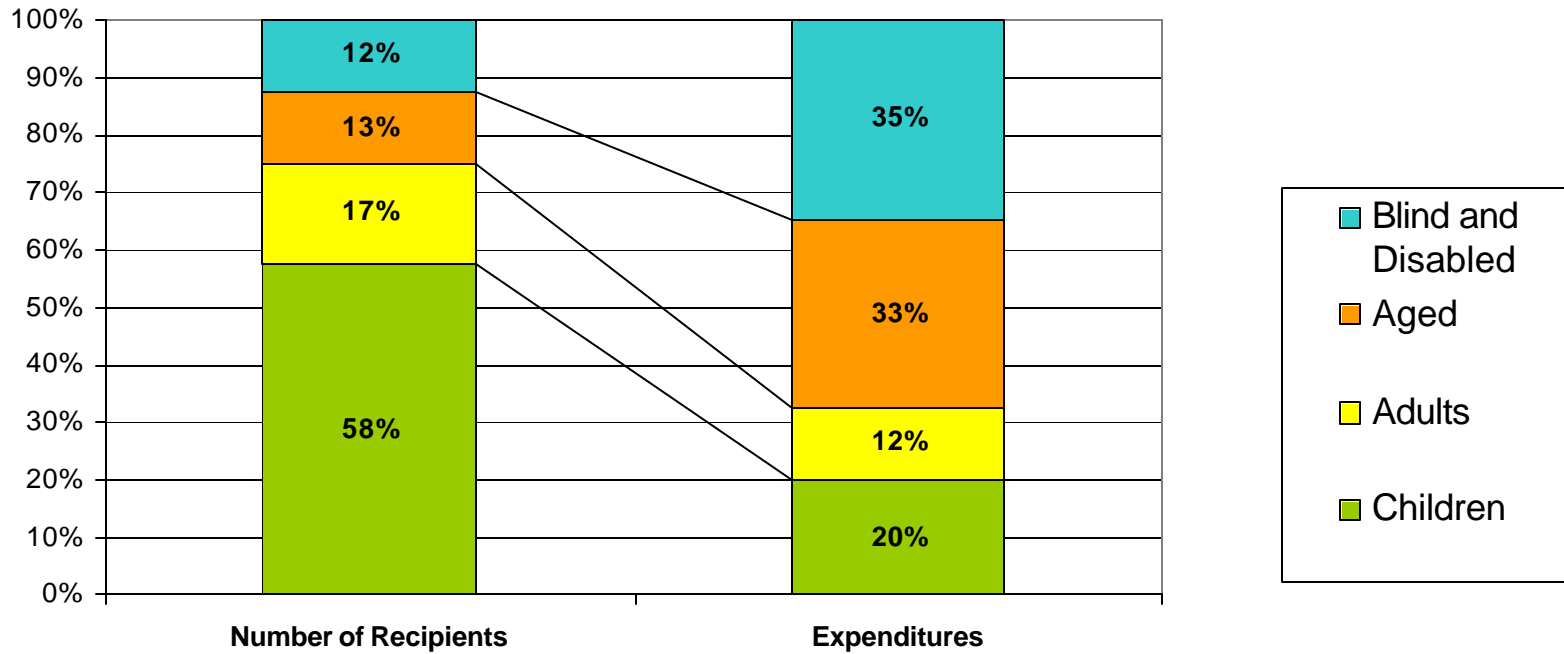
Medicaid Caseload by Category FY 1993-2000



Historical Trends - Expenditures FFY 1992 - 2001

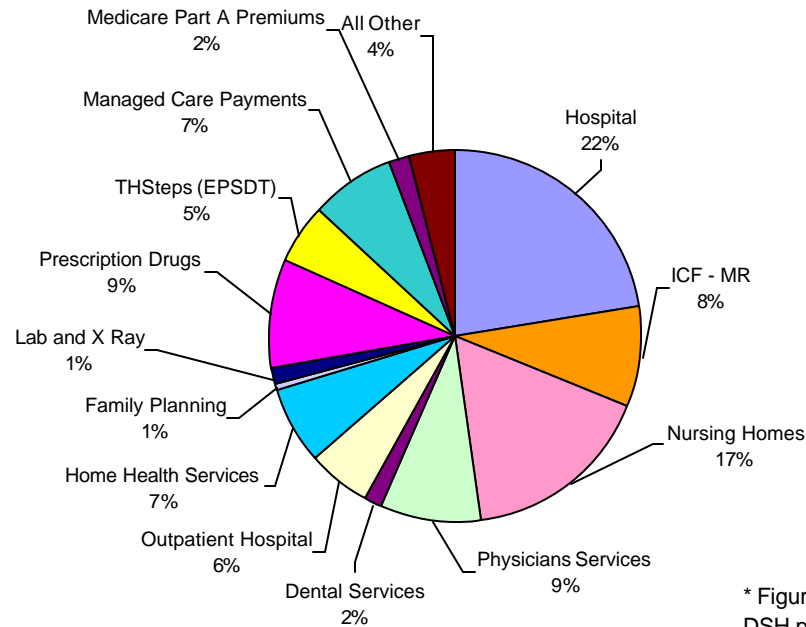


Texas Medicaid Recipients & Expenditures FFY 98



Source: HCFA 2082

Medicaid Expenditures by Service Type* FFY 1997



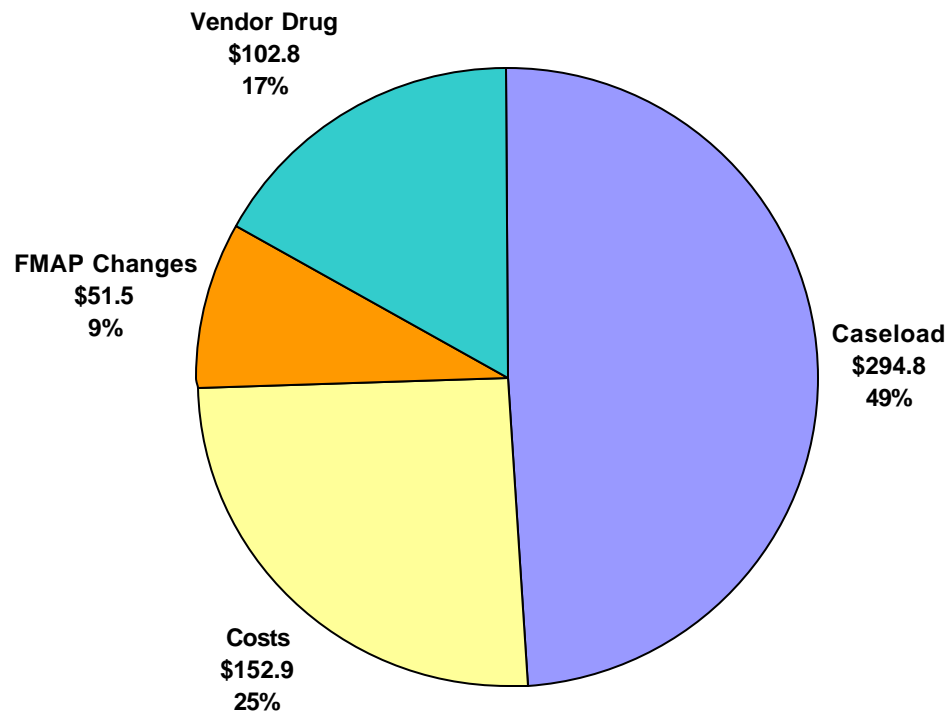
Source: HCFA 2082

* Figures do not include DSH payments and Administration.

Acute Care

TDH Medicaid Shortfall FY 2001

\$602 million GR



Comparison of Key Medicaid Measures FY 2000-01

Measure	FY 2000		FY 2001		TDH Requested	
	HB 1	Actuals	HB 1	Projections	FY2002	FY2003
Avg. Medicaid Caseload	1,719,409	1,758,527	1,704,879	1,803,943	1,832,813	1,849,147
Avg. Premium Cost	\$166.72	\$180.74	\$171.10	\$187.70	\$196.50	\$205.53
Number of Prescription	24,482,961	26,116,489	24,285,867	27,293,007	28,097,037	28,293,007
Avg. Prescription Cost	\$38.89	\$42.77	\$41.58	\$47.33	\$52.51	\$58.48

Medicaid Acute Care Issues for FY02-03

- ▶ Caseload trends are starting to slow down and even upturn
- ▶ Utilization is increasing
- ▶ Costs are increasing
- ▶ Access to Service
- ▶ Simplifying the Medicaid Eligibility Determination
- ▶ Attracting new Medicaid Providers

Medicaid Managed Care

Medicaid Managed Care

- ▶ Implemented in 8 areas of the state
- ▶ Approximately 596,000 STAR and STAR+PLUS clients
- ▶ Approximately 273,000 NorthSTAR clients
- ▶ Evaluation required by HB 2641 and HB 2896
- ▶ 9 areas of study: access, quality, utilization, cost, care coordination, administrative complexity, traditional providers, competition and network retention; and rural managed care
- ▶ Findings included:
 - ◆ improvements have been made towards achieving nearly all the goals initially set for the program;
 - ◆ access has increased;
 - ◆ clients are satisfied;
 - ◆ providers are dissatisfied;
 - ◆ inappropriate utilization of services has decreased;
 - ◆ cost savings were achieved.
- ▶ Areas that continue to need improvement:
 - ◆ reduce administrative complexity for clients, providers, and MCOs;
 - ◆ streamline eligibility and enrollment processes;
 - ◆ improve provider satisfaction;
 - ◆ improve program management and reporting systems;
 - ◆ continue to develop integrated quality improvement systems.

Long-Term Care

Long-Term Care

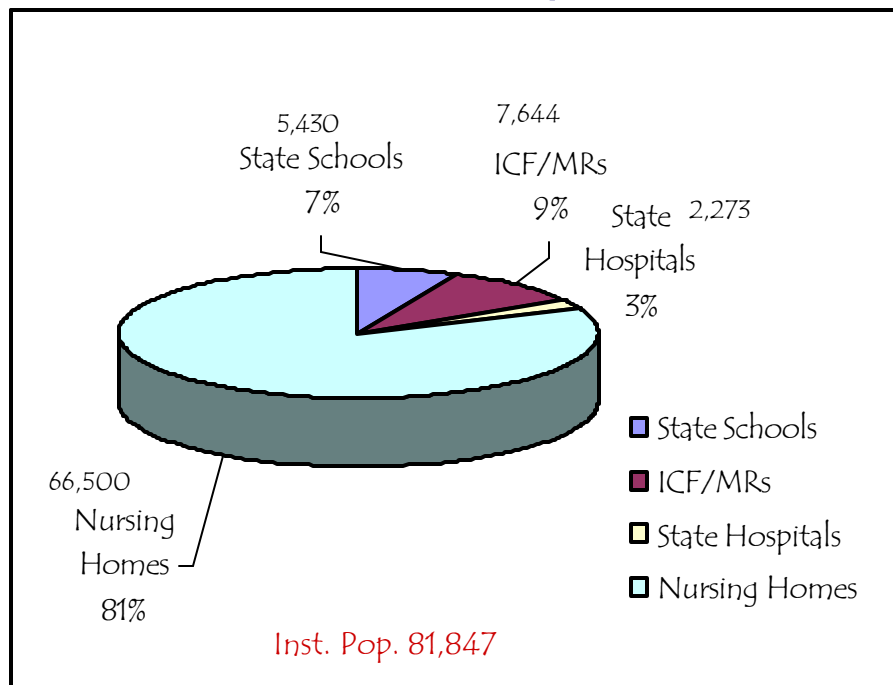
- ▶ Olmstead vs. L.C.
 - ◆ The Supreme Court ruled in June 1999 that states are obligated to allow access to community services as an alternative to an institution if:
 - 1) Treatment professionals have determined that community placement is appropriate
 - 2) The individual is not opposed to the transfer
 - 3) The placement can be reasonably accommodated, taking into account resources available to the state.

Texas' Response to Olmstead

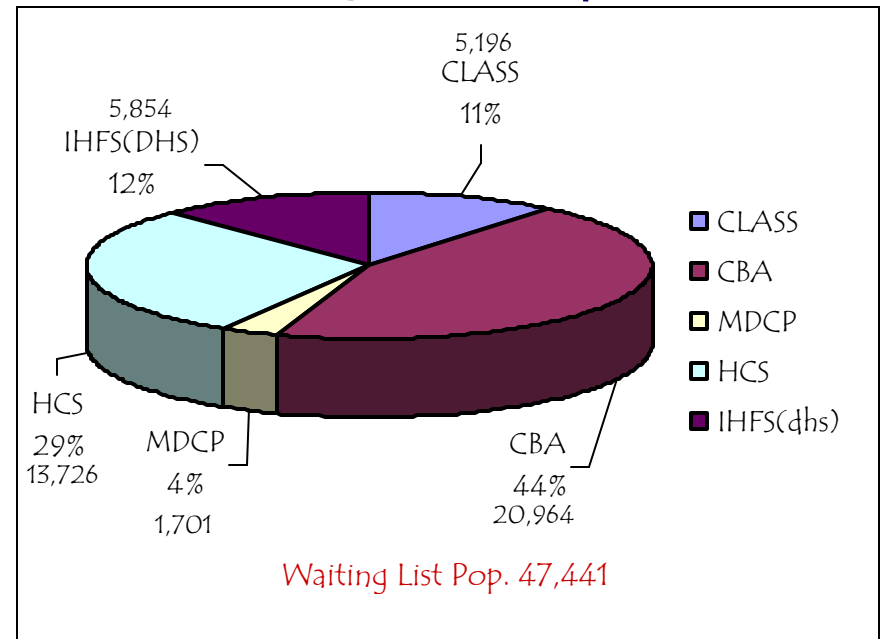
- ▶ Governor's Executive Order dated Sept. 1999 ordered a comprehensive review of all services and populations affected by Olmstead.
- ▶ HHSC created the Promoting Independence Advisory Board which assisted HHSC in writing a plan to affect change
- ▶ GR funds of \$119.5 million are requested for the FY02-03 biennium
- ▶ 76th Legislative Actions
 - ◆ Community slots increased by approximately 6,180
 - 5350 for CBA, 400 for CLASS, 239-MDCP, and 234-HCS

FY00 Long-Term Care Population

Institutional Population



Waiting List Population



- CLASS: Community Living Assistance and Support Services
- CBA: Community Based Alternatives
- MDCP: Medically Dependent Children's Program
- HCS: Home and Community-based Services
- IHFS (DHS): In-Home Family Support Services

Promoting Independence Request

- ▶ Total GR \$119.5 million request includes:
 - ◆ Outreach, case management, and placements from Nursing Facilities, estimated increased slots 1,340 (\$28.3M GR)
 - ◆ Estimated placements from state schools of 325 and ICFs/MR of 864 (\$36.5M GR)
 - ◆ Funds 25% of the agencies exceptional items related to the community wait lists. 5,796 slots (\$45.0 GR)
 - ◆ Provides wrap-around services to ensure successful placements (i.e., transitional funds, housing subsidies, etc) (\$9.7M GR)

Provider Reimbursement

Provider Reimbursement

- ▶ To ensure access to care for Medicaid recipients a strong provider base must be supported.
- ▶ Major Medicaid provider reimbursement costs include:
 - Nursing Facilities
 - Physicians
 - Community Care
 - Hospitals
 - ICFs-MR
 - Dentists

Nursing Facilities

- Minimum wage increases, lawsuits, and federal requirements have influenced growth in nursing facility rates.
- The nursing facility industry estimates current costs for liability insurance between \$2,000-\$5,000 per bed per year. Current rates assume approximately \$250 per bed per year.

Hospitals

- ▶ Outpatient hospital rates have been frozen since 1992, except for a 2.7 percent increase in FY2000.

Physicians/Nurses

- ▶ Rates for physicians and nurses have been frozen at 1992 levels, except for a 2.7% increase in FY2000.

Dentists

- ▶ Rates for dentists have been frozen at 1992 levels, except for a 3.5% increase in FY2000.

Community Care

- ▶ Community care covers a wide array of services and programs with varying rate structures and methodologies.
- ▶ DHS community care programs were appropriated a 1.7% annual increase for inflation in FY00-01.

Intermediate Care Facility/Mental Retardation (ICFs/MR)

- ▶ In 1998 and 1999, rates were increased for inflation by 2.3% and 1.2% respectively.
- ▶ No increases were provided in FY00-01.

HHS Agencies' Rate Increase Requests

- ▶ HHS agencies are requesting almost half a billion dollars for rate increases in FY02-03. Requests range from 19% for dentists to 1.7% for community care.
- ▶ Requested Medicaid rate increases include:
 - ◆ Outpatient hospital fees and professional services
 - ◆ Dental providers
 - ◆ Nursing Facilities
 - ◆ STAR+PLUS
 - ◆ Community Care programs
 - ◆ ICF/MRs
 - ◆ Home and Community Services waiver
 - ◆ Dispensing fee

HHSC Role in Rate Setting

- ▶ Last session HHSC was given the responsibility to develop and approve rates for all HHS agencies.
- ▶ HHSC will oversee rate setting to ensure consistency and maintain a solid provider base for HHS clients.

Other HHS Caseload Issues

- ▶ ECI is experiencing caseload growth of approximately 10% annually.
- ▶ PRS is experiencing dramatic growth in foster care and adoption subsidies. From 1998 to 2000, foster care grew by 18.7% and adoption subsidies grew by 35.6%

Federal Funds

Federal Funds in HHS

- ▶ No other function of state government relies as heavily on federal funds as the health and human services enterprise.
- ▶ Federal funds accounted for approximately 60 percent of the total appropriations for health and human services in each of the last two biennia.
- ▶ In the current biennium, HHS agencies will receive approximately \$17 billion in federal dollars, which is over half of the total federal receipts projected for the entire state.
- ▶ In eight of the HHS agencies (TDH, DHS, PRS, HHSC, TCB, TRC, TDoA, TCADA), federal funding accounts for over half of the agency's budget. For TRC, TDoA, and TCADA federal funding represents three quarters of the agency's budget.
- ▶ Medicaid is the largest single source of federal funds in the state budget. In the current biennium, federal funding for Medicaid is approximately \$12.5 billion. Total federal Medicaid funding for the current biennium totals \$14.4 million which includes DSH.

Federal Funds Composition of HHS Agencies

Requested for FY02-03 – Baseline and Exceptional (in millions)

Agency	All Funds Requested	Federal Funds Requested	Percentage of Federal Funds	*Number of Federal Funding Sources
TCADA	\$ 339.1	\$ 282.0	83.2%	3
TDOA	139.3	112.3	80.6%	7
TRC	584.6	455.6	77.9%	7
TCB	99.1	70.8	71.4%	7
HHSC	1,625.2	1,049.6	64.6%	8
PRS	1,741.8	1,098.8	63.1%	16
DHS	9,728.4	5,946.3	61.1%	28
TDH	17,516.3	10,289.3	58.7%	78
MHMR	4,272.9	1,684.8	39.4%	9
ECI	222.6	78.1	35.1%	4
JPC	266.3	24.2	9.1%	1
CTF	3.6	0.0	0.0%	0
HCIC	4.2	0.0	0.0%	0
TCDHH	5.1	0.0	0.0%	0
Total	\$ 36,548.4	\$ 21,091.7	57.7%	

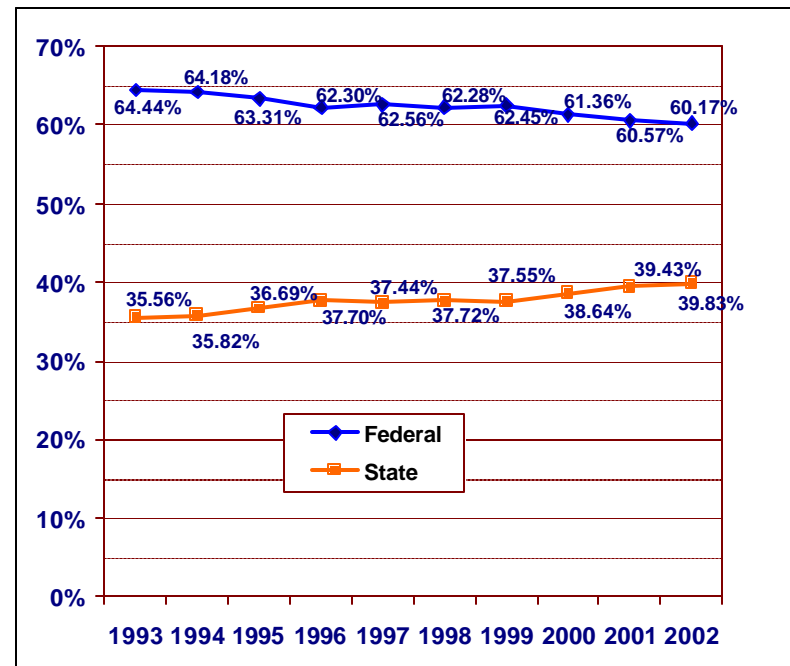
Note: Totals may not add due to rounding.

*This is a duplicated count as multiple agencies share the same federal funding sources.

FMAP

(Federal Medical Assistance Percentage)

- ▶ FMAP is the federal share for matching Medicaid expenditures.
- ▶ FMAP has declined from 64.44% in FY93 to 60.57% in FY02.
- ▶ For FY01 the FMAP was funded at 61.36%, but was 60.17% which increased the state share by over \$82 million this year.



Federal Minimum Wage

- ▶ A \$0.50 per hour wage increase for direct-care workers at NF, ICF-MR, and other facilities would cost an estimated \$86 million, with about \$36 million being state funds.
- ▶ If direct care-related workers at NF, ICF-MR, and other facilities are also included (e.g. dietary and laundry workers), the estimated cost is \$101 million, with about \$42 million in state funds.

Note: The state share is more than the FMAP since some of the individuals at these facilities are not Medicaid clients.

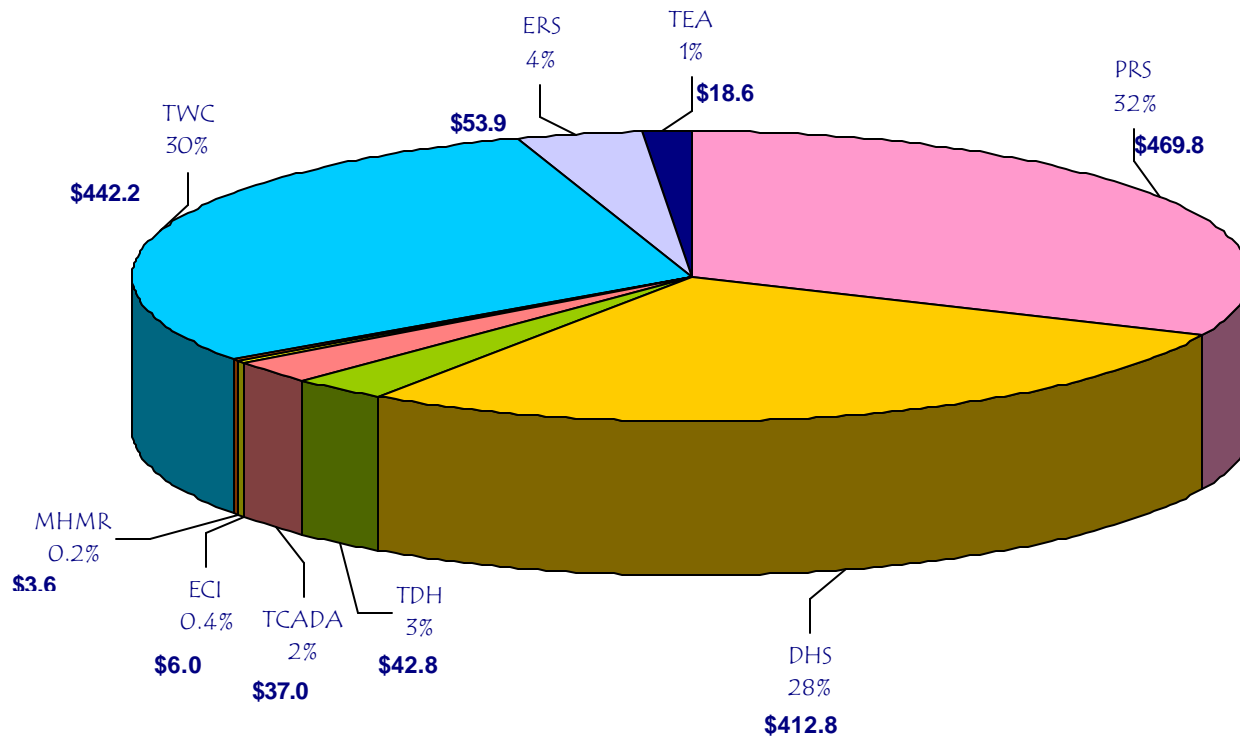
Temporary Assistance for Needy Families (TANF)

Current Uses of TANF Funds

- ▶ Funding for cash assistance and client self-support programs (DHS)
- ▶ Job training and the self-sufficiency program (TWC)
- ▶ Childcare (through transfers to the Child Care Development Fund), PRS purchased services and childcare regulation
- ▶ Pre-kindergarten development and adult education (TEA)
- ▶ Alcohol and Drug Abuse prevention services (TCADA)

Requested TANF Funds by Agency FY02-03

\$1.5 Billion Requested



Agency Requests in millions
Source: Agency LARs for FY2002-03

TANF Issues for FY02-03

- ▶ Reauthorization in 2002
- ▶ Expiration of Texas Waiver (March 2002)
- ▶ Worker Participation rates
- ▶ MOF changes needed to stave off penalties
- ▶ LAR requests for federal TANF funds total almost \$1.5 billion
- ▶ This request exceeds available estimates by over \$300 million

Children's Health Insurance Program (CHIP)

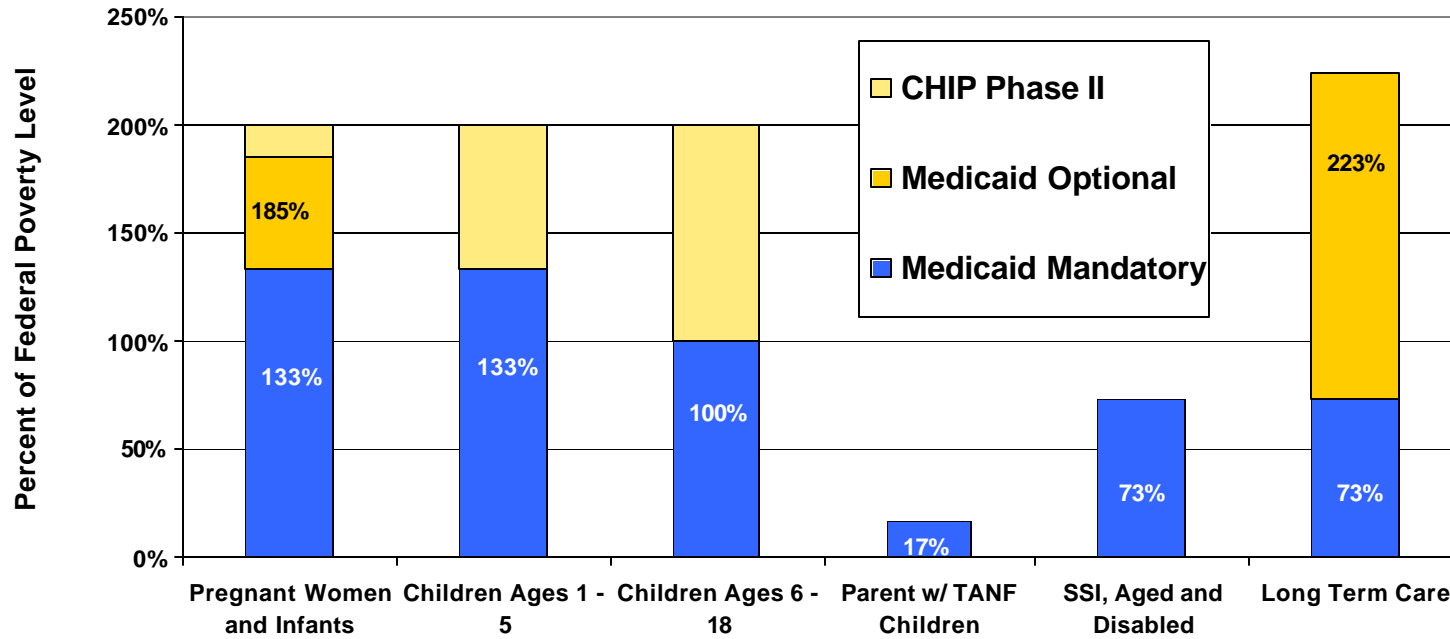
CHIP Programs

Five Different Programs are funded with Tobacco Funds in Article XII under CHIP

- 1) CHIP Phase I (Medicaid Expansion for Teens under 100%FPL expires in October 2002)
- 2) CHIP Phase II (Title XXI Non-Entitlement coverage up to 200% FPL which began May 2000)
- 3) Medicaid Spillover (Impact on Medicaid from TexCare Partnership Initiatives)
- 4) Legal Aliens (100% State Funded children's program for certain legal immigrants)
- 5) SKIP (Enhanced state contribution for children's health insurance coverage of certain state employees)

CHIP and Medicaid Eligibility

As of December 2000



Source: Texas Health and Human Services Commission

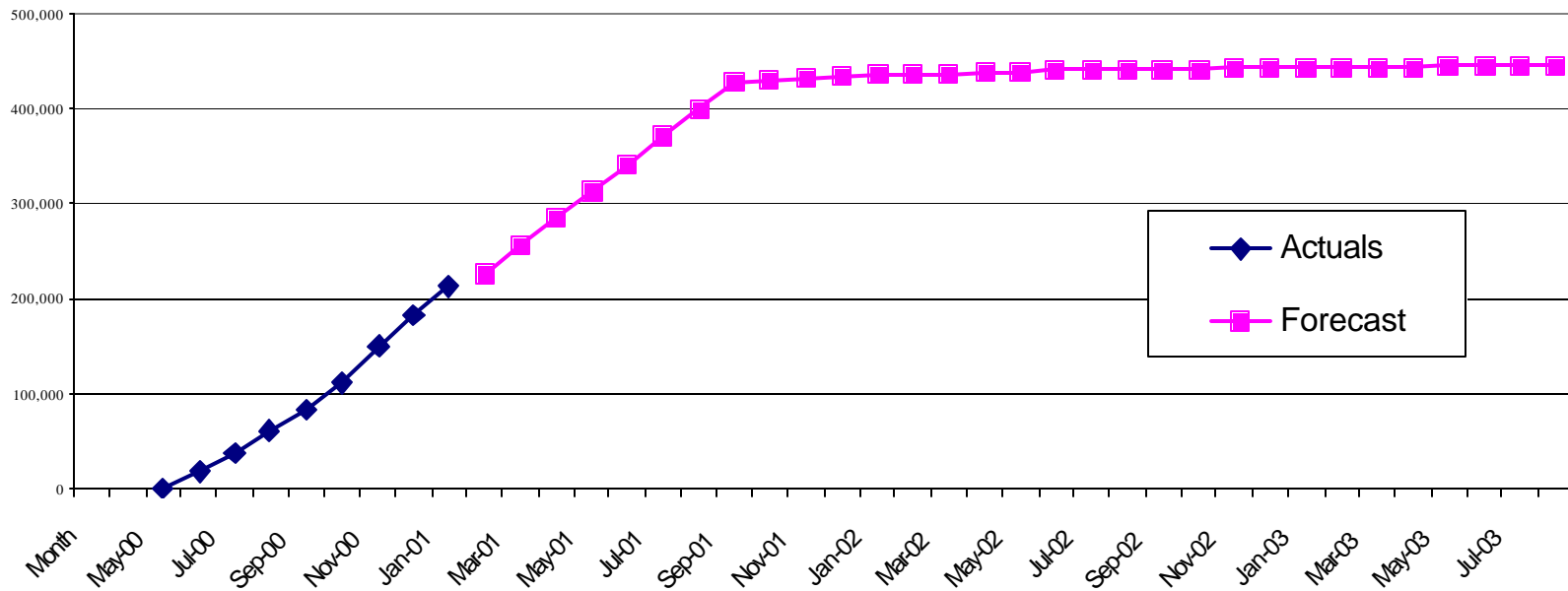
CHIP Enrollment as of January 29, 2001

- ▶ Latest CHIP Enrollment 238,573
 - ◆ Percent CHIP FY 2001 Enrollment Goal (428,000) 56%
- ▶ Current CHIP Eligibles 70,565
(Determined eligible, not yet enrolled)
- ▶ Latest Enrollment + Current Eligibles Who Will Enroll 301,475
 - ◆ Percent CHIP FY 2001 Enrollment Goal (428,000) 70%
 - ◆ DHS-determined CHIP Eligibles 60,075
(First contact at DHS office, deemed to CHIP)

CHIP and Medicaid Referrals as of January 29, 2001

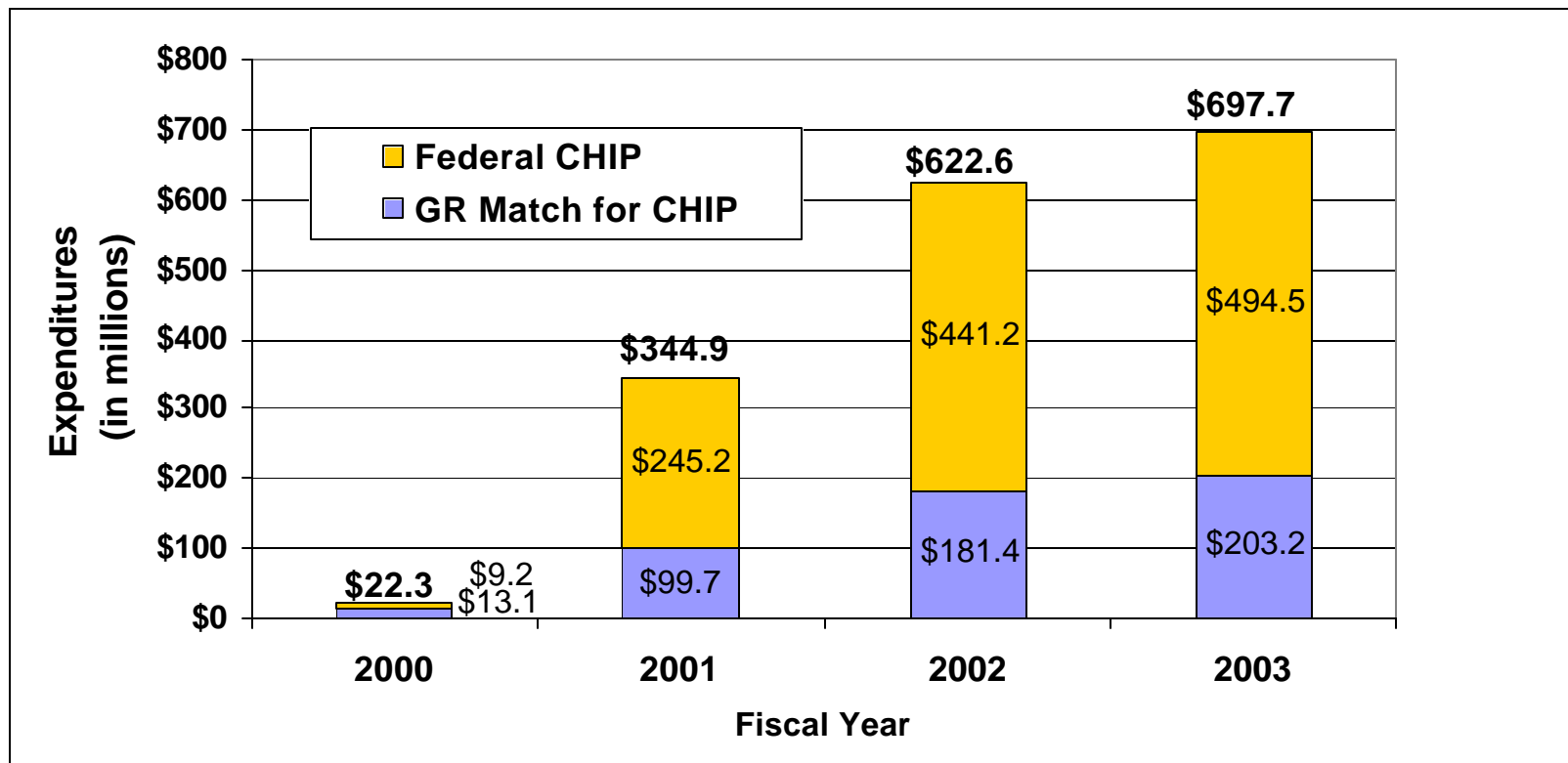
- ▶ Latest CHIP to Medicaid Referrals, Total
101,291
 - ◆ Pending Referrals 18,495
- ▶ Referrals with a Final Determination 82,796
 - ◆ Newly Medicaid Enrolled 20,837
 - ◆ Already Medicaid Enrolled 3,633
 - ◆ Deemed Back to CHIP 9,358
(Included in CHIP data)
 - ◆ Denied/not CHIP 1,101
(Income > 200%)
 - ◆ Denied Medicaid, Process Reason 47,867
(Did not keep or make appointment, provide information)

CHIP Phase II Caseload*



*Note: Submitted November 2000, To be Updated February 2001

CHIP Phase II Expenditures FY 2000-2003



CHIP Budget Assumptions Requested for FY 2002-03*

	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>
Enrollment as of September 1	83,538	428,453	440,440
▶ Benefit Cost	\$310M	\$590M	\$665M
▶ Administrative Cost	\$35 M	\$32M	\$32M
▶ EFMAP – State	27.55%	27.86%	27.86%
Federal	72.45%	72.14%	72.14%

*To be Updated February 2001

CHIP Phase II Issues for FY 2002-03

- ▶ Caseload Growth
- ▶ CHIP Reimbursement Levels
- ▶ Expansion of Dental Benefits
- ▶ Community-Based Interactive Application
- ▶ Continue Aggressive Outreach
- ▶ CHIP Retention Rates upon Annual Renewal (beginning May 2001)

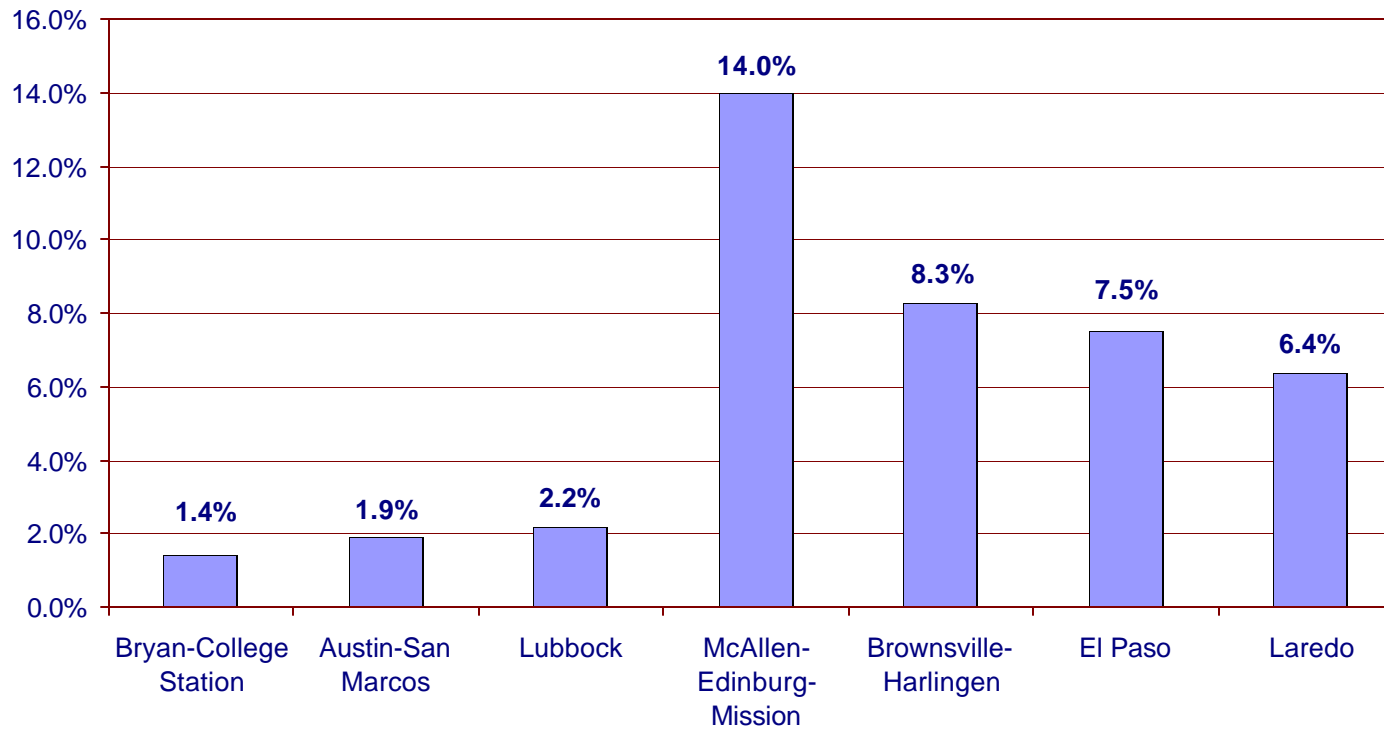
Border Issues

Border Issues

- ▶ Colonias consist of 1,450 isolated communities along the Texas/Mexico border, many without running water, sewers, and paved streets.
- ▶ Home to more than 350,000 Texans.
- ▶ High incidence of disease among children and constant threat of hepatitis.

Unemployment

Figure 2.2: Unemployment Rates in Selected Metropolitan Areas, November of 2000



Source: Texas Workforce Commission

HHS Colonias Initiative

- Goal of Consolidated Colonias Initiative is to provide Colonias residents access to state-funded programs by leveraging the existence of sixteen (16) Community Resource Centers currently funded through Texas A&M University.
- \$21.4 million (\$14.8 GR) is requested on behalf of seven (7) HHS agencies over a three (3) year period (FY 2002-04) to fund the Consolidated Colonias Initiative.

Operational Issues

Operational Issues

- ▶ Concerns related to employee compensation and retention
- ▶ State Employee salaries lag the private sector
- ▶ Statewide turnover rate for FY 99 was 17.58%
- ▶ Cost of turnover to the state for FY 99 was estimated by the SAO at between \$127 & \$254 Million
- ▶ HHS agencies experiencing high turnover in FY 99:
 - ◆ Texas Department on Aging 42.31%
 - ◆ Texas Dept. Mental Health & Mental Retardation 30.81%

Turnover

Occupational Categories in HHS agencies experiencing high turnover in FY 99:

Social Service Supervisors	59.46%
Social Service Workers	51.03%
Community Service Aides	45.58%
Child Development Specialists	43.84%
House Parents	41.50%
MHMR Classifications	40.51%
Case Managers	36.66%
Community Care Workers	33.33%
Licensed Vocational Workers	32.05%
Therapist Technicians	29.28%
Caseworkers	28.27%

Source: State Auditor Annual Report on employee turnover

HHS Agencies' Requests for Staff and Salary Issues

HHS agencies have requested over \$148 million in All Funds and \$78.2 million in GR to address salaries and working conditions for employees.

	GR/AF
• JPC - Increased salaries for juvenile probation officers and increased staff	\$22.0/\$22.0
• MHMR - Salary increases for direct staff at state schools	\$24.0/\$44.2
• PRS – Create a tenured workforce	\$16.1/\$45.9
• DHS - Improve Salaries to Attract and Retain Workers	\$15.9/\$36.0
• TCDHH - Continue agency operations	\$0.2/\$0.2

HHS FTE Changes

- ▶ FTE Reductions in HHS Agencies:

FY 1995	62,473 FTEs
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FY 1999	52,683 FTEs
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Reduction	9,790 FTEs
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% Reduction	15.67%
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Travel

- ▶ Travel Reductions in HHS Agencies:

FY 1997	\$39.8 Million
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FY 2000	\$31.7 Million
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Reduction	\$ 8.1 Million
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% Reduction	20.35%
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HHS Administrative System

▶ Statewide PeopleSoft License was purchased in FY 2000-\$6.5 Million

▶ HHS Business Process Improvements

- ◆ Consistent and accurate HHS enterprise financial and HR information
- ◆ Consolidate administrative functions within and across HHS agencies
- ◆ Automation of manual processes and reconciliations
- ◆ Elimination of duplicative data entry

◆ Costs	All Funds	GR
FY 02/03	\$24.9M	\$11.7M
Overall Cost(FY01/05)	\$41.2M	\$22.0M

Rider Issues

- ▶ Flexibility to adjust FTEs, travel, salary, and capital budget authority.
- ▶ Flexibility to Transfer Funds between agencies and programs.

www.hhsc.state.tx.us

- HHS Consolidated Budget
- HHS Coordinated Strategic Plan
- HHS Coordinated Information Resources Strategic Plan
- HHS Quarterly Caseload Reports
- Texas Promoting Independence Plan
- Medicaid Information and Reports
- CHIP Information and Reports